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ECONOMIC AFFAIRS

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9 August 1985

CHINA REPORT

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

JOURNAL ON SEPARATING GOVERNMENT, ENTERPRISE FUNCTIONS

HK080750 Beijing JINGJI GUANLI in Chinese No 5, 5 May 85 pp 18-20

[Article by Xiao Liang [2556 0081]: "The Separation of Government and Enterprise Functions Is the Key to the Reform of the Urban and Rural Collective Economy"--edited by Ding Jiatiao [0002 1367 4383]]

[Text] Our nation's urban and rural collective economy now occupies a fairly important position in the national economy. No matter whether we speak of industry, transport, construction, or commercial services, all of these areas have quite a high number of collective enterprises. According to statistics, in 1983 the number of collective industrial enterprises in the light industry system reached 61,600 and their total output value was 49.2 billion yuan. These figures represent 84.2 percent of the total number of light industry enterprises and 41.2 percent of light industry output value, respectively. The number of collective enterprises in the commercial system is even greater. Obviously, if these collective enterprises are organized well, it will have extremely great significance for our nation's economic development.

However, as compared with the whole-people ownership economy, the momentum of the reform of our nation's urban and rural collective economy is greatly inferior, and is even more behind in terms of the needs of actual development. This is not because the reform of the collective economy started late or because the reform of the collective economy is more complicated than that of the whole-people ownership economy. It is a result of the quite deep influence of Leftism, and this has provided great obstacles. On the basis of our knowledge, the reform of the collective economy was proposed in 1979, after the 3d Plenary Session of the 11th CPC Central Committee. In that year, the theoretical circles and practical workers carried out a great amount of investigate research. In January 1980, at the National Conference on the theory of the urban and rural collective economy, held in Shenyang, the necessity of collective ownership in our nation's long-term plans, the superiorities the collective economy and the current problems were widely discussed. Although the ideas of everybody at that time were not uniform, the majority of the comrades believed that we should run collective enterprises well in accordance with the nature and characteristics of the collective economy. They also thought that the focus should be on the

resolution of questions such as independent accounting, sole responsibility for profits and losses and democratic management. At the same time, some areas (such as Shenyang city) began to set up pilot projects where unified responsibility for profits and losses was charged to individual responsibility for profits and losses. Following this, many provinces, cities and autonomous regions made the decision to arrange well the collective economy, and formulated relevant policies. In October 1981, the CPC Central Committee and the State Council in a relevant decision, clearly pointed out that "In arranging well the urban and rural collective-ownership economy, under the unified planning, guidance, and support of the state, it is necessary to abide by the principles of voluntary alliances, the assumption of individual responsibility for profits and losses, distribution according to work and democratic management." In April 1983, after the State Council issued the "Provisional Regulations in Regard to Several Policy Questions on the Urban and Collective-Ownership Economy," various areas, in implementing the State Council's regulations, achieved clear results. However, in general the reform of the collective economy has not seen much progress. This is manifested in the following aspects:

1) The problems of independent accounting, individual responsibility for profits and losses, autonomous administration, and democratic management have not been completely resolved. Egalitarianism and indiscriminate transfer of resources also sometimes occur. In some regions, relevant departments use the excuse that they should not act uniformly and thus resist the moves to change unified responsibility for profits and losses to individual responsibility for profits and losses. In some areas, although in name the enterprises have been given individual responsibility for profits and losses, the supplies, production, and sales of these collective enterprises are still guided and decided on by responsible departments, and an appropriate proportion of profits (or management fees) are handed over to the responsible department. Many leading people in collective enterprises are still appointed or delegated by higher level responsible departments and are not elected democratically by the staff of the collective enterprise or appointed through an advertised vacancy.

2) In the work of reviving federations of cooperatives [lian she 5114 4357] in the handicrafts industry, a rather large number of comrades in the responsible departments advocate that these federations of cooperatives should be economic entities. Some even propose the implementation of cooperative-federation ownership. In fact this proposal--to take those enterprises which are at present managed by the second light industry department and let them be managed by federations of cooperatives--would only be a change of name-plates. It would not be a means of relaxing and simplifying administration or of delegating power, but a means of grasping and taking over power. It would not be real collective ownership, but a "second form of whole-people ownership" [er quan min 0059 0356 3046]. Reforming things in this way, with an ideology like this, will not be able to motivate the enthusiasm of collective enterprises.

3) At present, collectively-owned enterprises have still not implemented the operational contract responsibility systems in accordance with their own characteristics. For example, in the Shenyang City Second Light Industry Bureau, two-thirds of the collective enterprises have implemented operational contracts.

However, these contract relationships are not mainly internal collective economy ones, but are contracts between the collective enterprises and higher level responsible departments. That is, the collective enterprise has a contract with the responsible department, and if it fulfills the contract target, it is rewarded, while if it fails, it is penalized. Doing things in this way assumes collectively-owned enterprises to be "owned by government department," "owned by local governments" or "a second form of ownership by the whole people." In fact, this method of handling contracts is the same as that employed for enterprises owned by the whole people. Thus, the results achieved in this type of reform are not great.

Situations such as this explain why progress in the reform of the collectively-owned economy is difficult and why not much headway has been made. Where, therefore, lies the key in the reform of the collective economy? I believe that the problem lies in that we have not really achieved a separation of enterprise and government functions. If this step is not realized, it will be difficult to carry out other reforms thoroughly and it will be difficult to proceed.

The characteristic of the collective economy lies in its ownership by the socialist laboring masses, and the appropriateness of independent accounting, individual responsibility for profits and losses, autonomy in operations and democratic management. The division of responsibilities between these enterprises and government organs is clearly set down and they certainly should not be confused. If they are, and government organs directly control collective enterprises, everything will be decided by the higher-level responsible department and the enterprise will be without independence and without autonomy. This would be the same as negating the collective-ownership economy. However, in our nation's current economic life, because of the long-term influence and role of "leftist" guiding ideology, the collective economy now contains many enterprises which are not really collective enterprises. This is especially so far what we call "large collective" enterprises. Now there are very few differences between these enterprises and "whole-people" enterprises. Neither are the "small collective" enterprises completely collectively-owned. Only the new "collectives run by the people," which have been organized in recent years, retain the characteristics of collective ownership. The "leftist" way of doing things even now has not been completely corrected and it has a very deep and stubborn influence on our cadres and the masses.

At present, some cadres who control collective enterprises, are unwilling to really separate government and enterprise functions so as to allow collective enterprises independent accounting, individual responsibility for profits and losses, autonomy in operations and democratic management. This is because this will reduce their powers and interests and work will be difficult to carry out. They only oppose other departments and units engaging in "egalitarianism and indiscriminate transfer of resources" in regard to their collective enterprises. But, in fact they themselves are engaged in "egalitarianism and indiscriminate transfer of resources" in regard to their own collective enterprises. Of course they do not think of themselves as being "egalitarian and engaging in indiscriminate transfer of resources" but consider that, in managing the collective enterprises, they are safeguarding collective ownership. We say that these

cadres, in the period when the "leftist" ideology was current resisted encroachment on collective ownership. In safeguarding and developing the collective economy, they achieved some results, but they were also influenced, to different degrees, by "leftist" ideology. They are used to having government and enterprise functions combined and acting as a "nanny" for the collective enterprises. They are not used to letting collective enterprises proceed on their own, having the collective enterprises seek services from outside or having them create conditions for their own development. These ideas are also manifested in the fact that the "leftist" remnants have not yet been thoroughly cleared away. Also, among the masses at present, some people believe that "whole-people" ownership is higher than "collective" ownership. In employment, they are willing to go to "whole-people" enterprises but not to "collective" enterprises. If we were to change "collective" enterprises to "whole-people" enterprises, not many people would oppose this, but if we were to change "large collective" enterprises into real "collective" enterprises, it is not certain that many people would endorse this. The reason is that they are used to eating out of the "big pot." Without putting in too much effort, they can pass their days quite "comfortably." However, if we do not separate government and enterprise functions, do not arrange collective enterprises in accordance with the nature and characteristics of collective ownership, but continue with the original system of unified purchases and acting on behalf of enterprises, the wide collective economy will not really be enlivened and the enthusiasm of the staff of collective enterprises will not be further motivated.

Thus, we advocate the firm separation of government and enterprise functions. That is, all collectively-owned enterprises should break their subordinate relationships with responsible departments. The actual production and operational activities of all collective enterprises should be decided on by the staff of the enterprises themselves. They should be allowed to go forward by themselves and develop all sorts of horizontal economic alliances and combinations. If things are done in this way, although to begin with there could be a few problems, such as some enterprises being squeezed out, or eliminated through competition, this will increase the enterprise's abilities in meeting emergencies and in expanding. It will train and temper the cadres, produce results, products and talents, and bring limitless vitality to the collective economy. At present, the whole-people ownership system is already undergoing this reform. For example, the Ministry of Machine-Building Industry has, with the approval of the State Council, already engaged in this important reform, streamlined administration, delegated authority, and separated government and enterprise administration. How can the specialized ministries having relationships with the collective ownership system not carry out the reforms?

In order to arrange this reform well, ensure that urban and rural collective enterprises are collective enterprises both in name and in fact, and enliven the collective economy, we have the following specific suggestions:

1. The reform of the collective ownership economy must adhere to the principle of "managing products by trade and handling policies in accordance with the ownership system." After realizing the separation of government and enterprise functions, the responsibilities of relevant departments of government (for example, the Ministry of Light Industry, the State Administration of Industry and Commerce, the financial and tax departments, and so on) will not be lighter, but will be heavier. The tasks of these functional departments will be to arrange policies and principles well, strengthen supervisory services, and, mainly through using economic regulatory means and administrative legislation, to guide and regulate the economic activities of collective enterprises. As to the production and operational activities of collective enterprises, these will be managed and decided upon by the enterprise itself under the guidance of state of government and enterprise functions, a streamlining of the administration and the delegation of power.

2. In order to ensure that, after collectively-owned enterprises are separated from their responsible departments, the enterprises do not take on an anarchic condition, we must organize and establish various trade and professional associations. These trade organizations will not be political organizations or economic entities. They will be associations. Their task will be to plan the development of trade in a unified way, to achieve a unified balance, to spread experiences, and to organize coordination between the various enterprises.

3. We must establish national and regional collective ownership federations of cooperatives. The federations of cooperatives will be unified collectively-owned organizations rather than economic entities. The handicrafts industry federations of cooperatives which are now being revived at different levels, only concern themselves with the handicrafts industry. They are not concerned with commerce or service industries, nor with the collective enterprises of production trades outside the handicrafts industry (for example, construction trades, electrical and mechanical trades, meters and electronics trades, and so on). Much less are they concerned with the neighborhood collective enterprises or the collective enterprises run by educated youths. They are not like real collectively-owned organizations and are more like trade associations. We believe that collectively-owned organizations should be established from the angle of the collective ownership system and should not be established on a trade basis. The collective enterprises of the various trades all have their own special problems as well as their mutual problems relating to their being collectively owned. The special problems are mainly problems relating to production technology and internal coordination within the trade. These should and can be resolved by appropriate management within the trade. The common problems are mainly problems relating to the ownership question, and should be resolved by the ownership system's federated organizations. At present, neither the state, nor localities have organizations of this nature. Thus, there exists the phenomena of "no jurisdiction," where no one carries out unified management of, or research on, the urban and rural collective economy. Of course, it is not impossible for the handicrafts industry's federations of cooperatives to be handled as urban and rural collective handicraft industry organizations. However, they do not manage the collective economy of trades outside the handicrafts industry and thus do not understand the problems of the collective economy in other trades. If we wish to set up handicrafts industry

federations of cooperatives, we can only do it by setting up commercial and service trades' federations of cooperatives, construction trades' federations of cooperatives, transport trades' federations of cooperatives, and so on. Thus, it would be better not to run handicrafts industry federations of cooperatives, but to run collective-ownership economy federations of cooperatives. The federations of cooperatives should be arranged as collectively-owned cooperative organizations and must not become economic entities, concerned all day with personnel, funds, and materials and with supplies, production, and sales. If they are run as economic entities, then perhaps they will engage in egalitarianism and indiscriminate transfer of resources in a disguised way, and will obstruct the collective enterprises in carrying out independent and autonomous operations. The major tasks of the federations of cooperatives will be to carry out investigation and research, to reflect the current situation, to put suggestions, ideas, and requests to the party and government and to supply reference materials to leading departments when they are formulating policies. At the same time, they can also accept certain fees and organize some things which collective enterprises desire but are unable to do by themselves, such as exchange experiences, provide information, train cadres, provide consultancy services and organize welfare projects.

4. We must establish urban and rural collective economy research societies, attract theoretical and practical workers to participate in them, and, in accordance with the principle of linking theory with practice, regularly carry out research into the theoretical and practical problems of collective ownership.

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NATIONAL POLICY AND ISSUES

GUANGMING RIBAO ON ROLE OF MARKET MECHANISM

HK160529 Beijing GUANGMING RIBAO in Chinese 6 Jul 85 p 3

[Article by Liu Lielong [0491 3525 7893]: "A Brief Discussion on Market Regulation"]

[Text] Whatever is market regulation? There have always been different opinions on this in the theorists' circles. A point of view holds that market regulation is the function of spontaneous regulation by the law of value. Therefore, the conscientious application of the law of value should be called planned regulation rather than market regulation. Another point of view holds that market regulation is in fact regulation by the law of value, including both regulation by spontaneous functioning and by conscientious application of the law of value. I think both points of view are one-sided and open to question. The so-called market regulation is regulation occurring in the areas where commodity exchange and transaction are practiced. In substance, this refers to the regulation in the field of commodity exchange and circulation. Since regulation works through the channel of exchange or transaction, its content should consist of the following aspects.

1. Regulation by the law of value. As everybody knows, the law of value is the law determining value and governing the realization of value. Exchange or transaction is the process of the realization of value, and the amount of value determined by the social necessary labor time must be realized through the process of exchange (transaction). Such a process is fulfilled in terms of price, that is, the form of expression of value. This process of realization is carried out in two ways, namely, spontaneous realization (free price) and conscientious realization (planned price). Therefore, the regulations by the spontaneous functioning and conscientious application of the law of value are the two aspects of market regulation.

2. Regulation by the law governing supply and demand. In the course of exchange in the market, the contradiction between supply and demand always exists. Since the supply-demand relationship is also a factor determining the price, the effect of the law governing supply and demand is regulating production and consumption in society. In the commodity economy, the relations between production and need display themselves as the relations between supply and demand in the market which is an important aspect of market regulation.

The law of value regulates both production and circulation (the market), while the law governing supply and demand first directly regulates circulation (the market) and then, through regulation of circulation, regulates production. Therefore, regulation by the law governing supply and demand cannot be excluded from market regulation.

3. Regulation by the law of competition. The law of competition is the intrinsic law in the commodity economy--wherever there is commodity production and commodity exchange, there is room for the law of competition to play its role. Competition in the process of socialist commodity exchange generally takes place in terms of price, quality, design, commodity variety, and service. In the commodity economy, competition production is reflected in the market while competition in the market exerts in its turn pressure on production. This pressure can be transformed into motive force and vitality. Without competition, it will be impossible for us to invigorate the economy and really open our door to the outside world. A country where there is no competition can never be opened to a world full of competition. Therefore, regulation by the law of competition is an important aspect of market regulation.

4. Regulation by the principle (or law) of voluntary exchange. Exchange on a voluntary basis and equal footing in the market is a fundamental principle or universal law in the commodity economy. The socialist economy must observe this principle or law. In the past, commodity exchange "fully arranged under control by the authorities" was a very common phenomenon while "free commodity exchange" was a practice open to attack. Now a reform is under way, which allows free sale of capital goods, strictly bans the practice of forcing customers to buy undesired goods in a package deal while supplying the commodities they need, and firmly opposes the practice of shifting off losses onto consumers and infringing upon their interests. Practice has shown that only by upholding the principle of equal and voluntary exchange can we push enterprises to adopt a correct orientation, expose the contradiction between supply and demand, and regulate production so that it can smoothly develop in a balanced way according to the objective needs.

To sum up, the so-called market regulation is the regulation of circulation and the regulation by economic laws in the field of circulation. Therefore, the viewpoint that limits market regulation to within the scope of regulation by the law of value is a one-sided viewpoint.

CSO: 4006/764

NATIONAL POLICY AND ISSUES

GUANGMING RIBAO DISCUSSES OVERRELIANCE ON IMPORTED TECHNOLOGY

HK040610 Beijing ZHONGGUO XINWEN SHE in Chinese 0350 GMT 4 Jul 85

[Text] Beijing, 4 Jul (ZHONGGUO XINWEN SHE)--Today in GUANGMING RIBAO commentator's article says that since the implementation of the open-door foreign policy, China has introduced quite a number of advanced foreign technological projects. This has played a good role in promoting the modernization drive. However, some units pay attention only to immediate interests and are satisfied with the use of imported technology, neglecting to digest and absorb it. Still less do they pay attention to exploiting and creating new things. As a result, they cannot really master the imported technology, nor do they produce good results in introducing foreign technology. What is even worse is that a vicious circle of relying on foreign technology has arisen--"the first machine is imported, the second machine is imported, and the third machine is also imported." If this continues, we will not be able to join the ranks of the world's technological advanced countries even after spending a great deal of foreign exchange.

Undoubtedly, we should introduce advanced foreign technology suited to our country, as this is a way to promote China's technological progress, the article says. But we should never forget that introducing foreign technology is merely a means and not the purpose. The purpose is to exploit and create new things, to improve China's technological level, and to increase China's ability for independent exploitation and self-reliance through using, digesting, and absorbing imported technology.

On the basis of digesting imported technology, the Department No 23 of the Ministry of Astronautics Industry spent only 10 days studying and manufacturing China's first ground reticular satellite antenna. Its quality is superior to that of imported products of the same category. The Beijing television set factory is good at digesting and absorbing advanced technology. The reliability of the color television sets produced by this factory is up to international standards of 15,000 hours. These are two successful examples of suiting imported technology to the country.

Let us change as soon as possible the formula of "the first machine being imported, the second machine being imported, and the third machine also being imported" into one of "the first machine being imported, the second machine being made by China, and the third machine being exported," the article says. The Chinese people are clever and have great ability. We will enable the latter formula to take shape. This is a formula which demonstrates our hopes, confidence and strength. Advancing according to this formula, we will be able to catch up with the world's economically and technologically advanced countries in the new world technological revolution.

NATIONAL POLICY AND ISSUES

RESELLING ITEMS FOR PROFIT REPORTED 'SERIOUS' IN CHINA

HK290352 Beijing ZHONGGUO XINWEN SHE in Chinese 0328 GMT 29 Jun 85

[Text] Beijing, 29 Jun (ZHONGGUO XINWEN SHE)--Illegally reselling items for profit is currently serious in the interior of China. Most of the units involved are enterprises and various types of companies run by party and government organs.

Today's JINGJI RIBAO carries some data provided by the State Industrial and Commerce Administrative Bureau pointing out a number of conspicuous aspects of these illegal activities. For instance, bank loans are used for illegally reselling items; fully assembled automobiles are resold for profit; people collaborate with each other in illegal resales; in particular, there is grave speculation in foreign currency. In Shandong Province [as received], Taiyuan City and the Jindongnan Prefecture have unearthed eight cases of such speculation this year, most of them involving state-owned units. Chengdu and Zidong cities in Sichuan have unearthed many illegal instances of speculating in foreign currency this year.

According to our information, the scope of commodities being illegally resold for profit is expanding all the time. Such activities have now been found to include old ships, locomotives, tanks, armored cars, steel rails, and so on. This year Liaoning Province has unearthed more than 20 cases of reselling old ocean-going freighters for profit.

CSO: 4006/764

NATIONAL POLICY AND ISSUES

PRC ECONOMIC RESEARCH REVIEWED, PREVIEWED

HK110639 Beijing RENMIN RIBAO in Chinese 1 Jul 85 p 5

["Excerpts" of Opening Speech by Liu Guoguang [0491 0948 0342] at symposium marking the 30th anniversary of JINGJI YANJIU: "China's Socialist Economic Theories in Retrospect and Prospect"]

[Text] During the 35 years after the founding of the PRC, economic theoretical work in general has made important contributions to socialist construction in our country. To review the development of economic theories, we may divide the past into four stages. The first stage was from the founding of the People's Republic to the late 1950's, in which the theoretical circles mainly studied and popularized socialist political economy. In 1955, economists began their trials to conduct independent researches into socialist economic theory in connection with the practice of socialist transformation in our country. JINGJI YANJIU's devotion of substantial publishing space in its first issues together with the magazine XUEXI [STUDY] to the discussion of the economic laws governing the transition period was a demonstration of the attempt to make theoretical explorations. The second stage was from the accomplishment of the socialist transformation in the mid and late 1950's to the first half of the 1960's. In this stage, the research on socialist economic theory made substantial progress in depth and in scope on the basis of being further linked with the economic realities in our country. Between 1956 and 1957, economists mainly discussed the issues of commodity production and of the law of value. In these discussions, some economists sharply perceived and pointed out some defects of the traditional economic system which had begun to come to light. They analyzed the problems in theory and put forward some proposals for improvements. Among other works, Sun Yefang published his famous essay "Placing Plans and Statistics on the Basis of the Law of Value" in the 6th issue of JINGJI YANJIU in 1956. In 1959, in order to sum up the positive and negative experiences of the "Great Leap Forward," economic circles discussed more widely the issues concerning commodity production, the law of value, the principle of distribution according to work, the economic growth rate, and economic ratios. In the early 1960's, as the state carried out the 8-character principles of "readjusting, consolidating, filling out, and improving," economists focused their discussions on conducting economic accounting, paying attention to economic results, and arranging socialist reproduction. These discussions positively helped the implementation of the 8-character principles, and threw light on some issues which had a bearing on the objective laws governing socialist construction. In this stage, economic theoretical research

demonstrated an increasingly important role in influencing our economic practice. The third stage covered the mid-1960's through the 10-year "Cultural Revolution." After the Autumn of 1962, prominence was given more and more obviously to the guideline of "taking class struggle as the key link" in the whole country. This caused more and more difficulties in realistic and scientific research. The "Cultural Revolution" even brought the theoretical research of economic science to a complete standstill. Economists were persecuted and academic forces were destroyed. Anti-socialist fallacies spread by the Lin Biao and Jiang Qing counterrevolutionary cliques dominated the theoretical circles, and truth and falsehood were confused in economic theory. After the downfall of the "gang of four," especially after the 3d Plenary Session of the 11th CPC Central Committee which decided to "set things aright" and shift the focus of the work of the whole party and the whole nation to economic construction, economic circles were given a new lease of life under the guidance of the principles of "seeking truth from facts and emancipating people's minds." Economic theoretical research has made good progress and scored unprecedented achievements in close connection with the practice of socialist modernization construction.

In this stage, economic theorists have dealt with a series of major issues in theory and in practice. They include issues concerning the strategy for socio-economic development, the mode of economic structural reforms, the pattern of the socialist ownership system, the socialist commodity economy, the law of value, the functions of plans and markets in a socialist economy, the overall and partial regulations of the socialist economy, socialist circulation, and the theoretical foundations for the price, wage, banking, and foreign trade reforms and for the open-door measures. The in-depth discussions of these issues have positively promoted the studies of these issues and positively promoted the economic structural reforms and the readjustment and development of the national economy. The decision on economic structural reforms adopted by the 3d Plenary Session of the 12th CPC Central Committee highlighted the collective wisdom of the whole party and demonstrated major breakthroughs in a series of basic issues of socialist political economy. It has powerfully prompted our economic theoretical research to further develop in depth and in scope.

In this stage, aside from political economy and economics of various sectors, we have opened many new branches of learning, such as econometrics, economics of technology, economics of ecology, urban economics, and tourism economics. At the same time, some new methods of analysis have been introduced in economic research, and efforts have been made to apply systematics, information theory, and cybernetics to the study of economics. Along with the implementation of the open-door policy in our country, we have steadily increased academic exchanges with other countries and have gradually strengthened the study and appraisal of foreign economic theories.

While developing our socialist economic theory, we are also building up the contingent of our economic theoretical workers. Aside from various economic research institutes and teaching institutions, we have established many economic societies, associations, and research organizations in various

branches of economics so as to promote our academic activities. By the end of 1984, the federation of economics societies had enrolled 350 member organizations, which had a total membership of some 50,000 people. Of course, the size of this theorist contingent is not big enough in a big country such as ours, with a population of 1 billion people. It is gratifying that with the help of economists of the older generation, a considerable number of middle-aged economic theoretical workers are reaching maturity and are playing a backbone role. In addition, group after group of up-and-coming younger theorists have emerged continuously and have scored gratifying achievements. There is no lack of successors to carry on our economic theoretical research work. So long as we have a correct guideline for our economic research work and properly organize and coordinate our work, the old, middle-aged, and young economic theorists will certainly cooperate closely and learn from each other, and the whole theorist contingent will score even greater accomplishments.

When reviewing the development of our economic theoretical research since the founding of the PRC, we deeply feel that there must be two basic conditions for the healthy development of Marxist economics. First, there should be a good style of study of integrating theory with practice; second, there should be a good atmosphere for free discussion and for free contention between different schools of thought. The guideline of emancipating people's minds and seeking truth from facts set forth by the 3d Plenary Session of the 11th CPC Central Committee has brought the ideological line of our party in line with these two conditions, and has thus provided an important guarantee for the unprecedented development of economic science.

Theory comes from practice. Only when we pay sufficient attention to new theoretical issues cropping up in practice and base our research process on practice and investigation results so as to deeply analyze the actual economic process, can we acquire a knowledge of the essential relations between different economic phenomena, sum up new economic viewpoints, bring to light the objective laws governing the socialist economic movement, put forward policy proposals which are based on penetrating judgments, and ensure that our economic theoretical research work will serve socialist construction. In the building of various branches of economics, we must also base our theory on practice, and only thus can we build really scientific theoretical systems. Of course, it is never easy to actually carry out the principle of linking theory with practice. In order to do so, on the one hand, our economic theoretical workers should be determined to set aright their attitude in their academic pursuits and should divest themselves of the research method of going from one book to another and from one concept to another. They should deeply study the economic reality and make major efforts to solve problems in that reality. On the other hand, economic leading departments should provide necessary conditions for economic theoretical workers and give them all sorts of opportunities to get access to actual economic processes. This is not only indispensable for the development of economic theory, but is also conducive to the improvement and innovation of actual economic work. Since the 3d Plenary Session of the 11th CPC Central Committee, we have made marked progress in integrating theory with practice, and this is obvious to all. However, more efforts have to be made to radically change the present situation in which

economic theoretical research still lags far behind the practice of socialist construction. It seems necessary to reform the system of research in order to prompt the researchers to link their theoretical work organically with practice.

"Letting a hundred flowers blossom and a hundred schools of thought contend" is our party's basic principle for developing culture and science. For the development of socialist economic theory, it is particularly important to allow different schools of thought to contend. In general, the socialist economic system is still going through the stage of experiment. It is unavoidable that socialist political economy and other branches of economics are still not mature theories. All economists are required to make collective efforts and join hands in solving theoretical issues one after another. Of course, there will be no smooth path leading to the truth. In the course of seeking truth, there will inevitably be different viewpoints, and this is a good phenomenon. Academic contention is a method of exchanging views and learning from one another among scholars and researchers. So long as we are willing to learn from each other, we will approach the truth step by step. Sometimes we cannot avoid committing mistakes on this or that issue in the course of seeking truth. So it is necessary to encourage free discussion and to allow people to make criticisms and counter criticisms. This is not the so-called "mass criticism" prevailing during the "Cultural Revolution." Even when a viewpoint proves to be definitely erroneous, it should still be allowed to be aired within the limits prescribed by the laws. People who cherish erroneous viewpoints should just be educated and advised rather than being attacked and labeled with bad names. This will not only help these comrades to correct their erroneous viewpoints, but more important, will help create a good atmosphere for creative theoretical work.

At present, we are faced with arduous tasks of economic theoretical research. In particular, the decision on economic reforms adopted by the 3d Plenary Session of the 12th CPC Central Committee has put forward a number of major issues that require in-depth theoretical studies. The "Decision" clearly points out that the socialist economy is a planned commodity economy on the basis of public ownership. This means that we must radically change the whole set of traditional concepts of socialism which have proved to be unrealistic, and that some basic points in socialist political economy need to be restudied. It is all the more necessary to strengthen the study of the socialist economic operational mechanisms which were neglected in the past. How can the entire economic system and concrete systems in various aspects be thoroughly freed from the influence of the natural economy and the product economy so as to be brought in line with the planned commodity economy? This remains a major subject of further research. The purpose of this seminar is that everybody here will propose the issues that we should further study and the orientation of our future efforts on the basis of reviewing and summing up the achievements we have made in socialist economic theoretical research, so as to more effectively promote our socialist economic theoretical research.

NATIONAL POLICY AND ISSUES

PRC JOURNAL'S SURVEY HIGHLIGHTS PROBLEMS OF POSTAL SERVICE

HK100228 Beijing CHINA DAILY in English 9 Jun 85 p 4

[Text] While China's economy develops space, China's postal service is proving incapable of coping with growing demand. The mail is expanding even further with letters of complaints from all corners of the country about delays in the delivery of letters, goods, books and magazines.

To look into these complaints, OUTLOOK magazine conducted a comprehensive survey covering several cities and railway networks in an attempt to find out the causes of inefficiency in the postal service.

The survey found that there are a number of factors restraining the development of the service, that include the fast growing demand, the shortage of postal staff, the lack of transport facilities and above all a lack of money to expand it.

Few customers who are dissatisfied with our inefficient postal network understand the complexity of the work involved. For example, the delivery of a newspaper or magazine often involves about half a dozen sectors in the postal service before it arrives on the customer's doorstep.

Capacity in the postal service has soared at a dazzling speed in recent years--another factor behind the problems today. In 1950, about 600 million letters were mailed. The number went up to about 3.3 billion in 1980, and in 1984, the figure rocketed to almost 4 billion.

The number of newspapers and magazines handled in the post in 1984 increased by 23 percent over 1983, to a total of 281 million. Increases of this scale have undoubtedly led to many problems.

The survey also found that the system is finding it hard to cope over the whole country, and conflicts have arisen between the railways and postal departments.

At Xi'an City's railway station last year, a fight broke out between railway and postal workers. It later emerged that the local postal workers had been obstructed from putting local mailbags onto the railway car, by the railway staff because there was simply no room for any more. Yet, delaying the several hundred mailbags would put even further pressure on the local postal service.

Beijing, one of the largest rail connections in the country, handles about 60,000 mailbags every day. Despite an increase of 11 percent in 1984 over 1983 in mail volume, the postal service was given only a fraction more of the transport it needs by the Railway Department.

The sight inside a post car is even more startling: mailbags were piled up to the ceiling. According to the regulations, only 850 standard mailbags are allowed in each car, but some of the cars carry more than 2,000 already.

Capital Shortage

Lack of local transport also creates delays. In provincial cities, mail often waits at the station for 2 weeks before it can be picked up. The service for newspapers and magazines is also an erratic one. It is not unusual for subscribers to get several issues in a single day and nothing else for days, weeks or even months.

There are, of course, problems within the postal system itself: sloppy-work-styles, regulations ignored and carelessness in handling. But one of the overriding problems is the shortage of capital for improvement of services.

As a non-profit making business, the postal service has a total revenue of only 2.5 billion yuan, a figure much less than in some developed countries. Its fixed assets are also limited--1 billion yuan over the past 35 years. But its business volume went up 39-fold during the same period of time.

That something must be done about this unsatisfactory state of affairs was a comment repeated over and over again during OUTLOOK's interviews with officials. Something is already being done in some places. In Nantong City, Jiangsu Province, a contract has been signed between the city authorities and the provincial Post and Telecommunications Bureau for setting up a new post and telecommunications building.

In Yunnan Province, trucks have been delivering the mail since the 70's. Although the method is rather out-dated--with each truck travelling in a sort of relay race day and night, it shortens the time taken.

The magazine puts forward some other suggestions to develop the country's postal network. Newspapers and magazines could be encouraged to try out other channels for distributing to their subscribers. Local governments and social organizations could be asked to make financial contributions towards improving the postal services.

Right now, 85 percent of the nation's mail has to go by rail, and the railways are already over-burdened with freight. Expanding sea and air mail would ease this pressure.

CSO: 4020/278

NATIONAL POLICY AND ISSUES

BRIEFS

NATIONAL HOUSING SURVEY--Beijing, 30 June (XINHUA)--China's first national housing survey is to begin tomorrow. The survey will cover the state of houses in rural and urban areas and the living conditions of each household. The survey, with 31 December 1985 as the standard time, will provide data for formulating social development program and housing policies and finding ways to solve the most outstanding housing problems in China. Nearly 1 million surveyors have been trained to carry out the survey. [Text] [Beijing XINHUA in English 1034 GMT 30 Jun 85 OW]

CSO: 4020/278

PROVINCIAL AFFAIRS

HUBEI HOLDS MEETING ON ASSISTING OLD SOVIET AREAS

HK090421 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 7 Jul 85

[Text] From 23 to 25 June, leading cadres, science and technology personnel, and economic workers in Hubei, Henan, and Anhui Provinces held a meeting in Hongan County to discuss a great plan for helping the old Soviet areas in the Dabie Shan get rich. They decided to strengthen economic relations among enterprises and regions and to speed up the economic development in the Dabie Shan.

During the revolutionary war, the people in the Dabie Shan areas who have glorious revolutionary traditions, made great sacrifices for the Chinese revolutionary cause. After liberation, the people here made important contributions toward socialist construction. The party and country have shown great concern for and supported the people in the old soviet areas. Particularly since the 3d Plenary Session of the 11th CPC Central Committee, the central authorities and all provinces concerned have appropriated special funds to help the Dabie Shan areas build communications and water conservation facilities and develop cultural, educational, and public works so as to promote economic development. However, for various reasons, the speed of the economic development in the old soviet areas in the Dabie Shan is relatively slow and their poor and backward outlook has not basically changed.

There is relatively little arable land in the old soviet areas in the Dabie Shan but labor resources abound and the climatic conditions are good and are suitable for many kinds of crops and for the development of early-maturing crops. They also abound in underground resources.

The leading cadres, science and technology personnel, and economic workers attending the meeting held: To make the old soviet areas in the Dabie Shan rich as soon as possible, it is still necessary to adhere to the spirit of self-reliance, to give play to the advantages of the mountains, to strengthen the building of communications and energy, to keep ties between urban and rural areas, to attach importance to the training of qualified personnel, and so on.

The representatives present at the meeting unanimously agreed on the establishment of a liaison association for speeding up the economic development in the old soviet areas in the Dabie Shan and adopted the regulations of the liaison association.

CSO: 4006/771

PROVINCIAL AFFAIRS

LIAONING FINANCE DEPARTMENT DIRECTOR'S WORK REPORT

SK111030 Shenyang LIAONING RIBAO in Chinese 23 Mar 85 p 2

[Text] On 16 March at the third session of the Sixth Provincial People's Congress, Zhang Min, director of the provincial Finance Department, delivered the "Report on the 1984 Provincial Final Accounts, and the 1985 Projected Budget." He said: The 1984 provincial total real revenue was 106.1 percent of the budgeted figure, an 11.3-percent increase over the previous year; and the total real expenditure was 87 percent of the budgeted figure, a 14.2-percent increase over the previous year. Deducting the revenue turned over to the central financial authorities according to the stipulations on the financial system, revenues and expenditures were in balance, leaving a small cash surplus on hand.

However, the provincial financial situation has not improved fundamentally. Zhang Min stated that the major problems are the serious contradiction between the demand for and possible supply of funds, the numerous loopholes in management work, poor economic results, the relatively big increase in administrative expenses, and the too rapid increase in consumption funds.

In light of this situation and giving consideration to the fact that in 1985 our province will begin to carry out the economic structure reform and accelerate the renovation of the old Liaoning industrial base, the above-mentioned problems will certainly adversely affect the financial situation. Therefore, in mapping out the financial budget, we must strive to tap potentials in the course of reform and renovation and strive to invigorate the economy, develop production, and raise efficiency in order to ensure a considerable rate of increase in financial revenues. Within the limit of financial resources gained from financial channels, we should not only ensure the needs of the key basic construction projects and the smooth development of the wage and pricing system reforms, but should also make various local undertakings develop in coordination and maintain a balance between revenues and expenditures. Therefore, the budgeted revenue in 1985 will increase by 7.5 percent over the previous year. The 1985 provincial projected budget calls for increasing expenditures by 39.6 percent over the fixed expenditures arranged with the 1984 financial resources. Of this

expenditure, the increased volume of investment in capital construction accounts for more than 40 percent. This portion of the funds will be mainly spent on the construction of basic urban facilities for expanding production and serving the work of opening to the outside world so that we can create a favorable investment environment for domestic and foreign investors. We must properly use this portion of the funds, and, through many years of efforts, strive to greatly improve the outlook of the province and, in particular, the outlook of Shenyang and Dalian.

In addition, the 1985 projected budget calls for a 12.5-percent increase in expenditures in cultural and educational, public health, sports, and broadcasting undertakings; calls for an 11-percent increase in expenditures for agricultural production; and calls for a 9.9-percent increase in spending in the industrial, communications and commercial aspects.

Zhang Min said: Beginning this year, the expenditures on urban maintenance and construction will be provided by collecting urban maintenance and construction taxes. In urban areas, the urban maintenance and construction tax will be fixed at 7 percent of the product tax, the value-added tax and the business tax; in counties and towns, it will be fixed at 5 percent; and in townships, it will be fixed at 1 percent. The fund for carrying out technological transformation of enterprises will mainly come from after-tax profits, the depreciation fund and other private-owned funds. Those enterprises which need state support will be allowed to use state loans.

Zhang Min said: Through readjustment, the provincial national economy has begun to embark on a sound path of sustained and stable growth. The development of the national socialist modernization drive and the rapid construction of key state projects will be conducive to exploiting our province's superiority in heavy industry. In particular, the accelerated pace in the economic structural reform, in opening to the outside world, and in renovating old enterprises will enable the province to overfulfill the economic development plan for this year. This is the guarantee for fulfilling the financial plan.

To successfully fulfill the 1985 financial budget, we must attend to the work in the following aspects:

1. We should invigorate the economy, develop production, raise efficiency, and strive to increase financial revenue. We should further shift the focus of our ideology and work to the planned commodity economy. We should give a free hand to the people to develop commodity production with diversified forms in order to further vitalize the economy and open up more financial resources. We should actually implement policies and measures on relaxing control over small enterprises and enlivening large and medium-sized enterprises to every enterprises at the grassroots level in order to fully mobilize the initiative of enterprises in invigorating production and management. We should develop horizontal cooperation between different enterprises, expand commodity circulation between the urban and rural areas, and ensure increases in production and income. Within enterprises, the economic responsibility system should be

established and improved, the pace of opening to the outside world and carrying out technical transformation should be accelerated, and new technologies should be popularized vigorously. Enterprises should continue to grasp the work of halting deficits and increasing profits. After the second step of substituting taxes for profit delivery, enterprises should assume sole responsibility for their losses caused by poor management, and the state will not allow them to "eat from the common big pot." In management, enterprises should change from close management to open management, actively open up new production channels, and promote cooperation with others. We should fully utilize the province's favorable conditions to support the development of town and township enterprises and to accelerate the readjustment of the rural economic structure.

2. We should strengthen tax collection and management. Tax organs should strengthen the propagation on tax laws and decrees, foster tax sources, establish and improve the systems of tax collection and management and the method of tax management, intensify the ability to collect and manage taxes, and prevent tax evasion.

3. We should reform the city and county financial systems and further mobilize the initiative of people's governments at all levels in managing financial affairs. Beginning from 1985, the province will implement in various cities the method of "apportioning revenues and expenditures between the provincial and local authorities, holding the local authorities responsible for their own profit and loss, and sharing total revenues between local and provincial authorities." For cities where revenues exceed expenditures, a revenue-sharing ratio between the local and provincial authorities will be fixed in accordance with the stipulated scale and base for revenues and expenditures, and the total revenues will be shared by the provincial and local authorities at this ratio. For cities where expenditures exceed revenues, a fixed amount of subsidy, which will be determined through examination, will be given, and all the increased revenues will be retained by the local authorities. For counties, we should apportion revenues and expenditures between the city and county authorities, while holding the latter responsible for their own profits and losses. Meanwhile, we should further augment financial departments at the county level in order to serve the development of the town and township sectors of the economy.

4. We should properly use various expenditures, economize on administrative expenses, and enforce financial and economic discipline. We must properly arrange and utilize various items of expenditures and pay attention to the results of utilization. Those projects which should be carried out but cannot be, should be listed in the budget, and should be carried out as early as possible through great efforts. Those projects which cannot be carried out for the moment should be postponed temporarily. By no means should we extend such projects which will scatter funds, nor should we increase many on-going construction items which will be transferred to next year for continuous construction. We should economize on administrative expenses. Under no circumstances should we expand the scale and raise the standards for administrative expenses in violation of the state stipulations, nor issue excessive cash prizes and materials.

Although the budgeted expenditures this year are relatively more than last year, the contradiction between demand and possible supply are still very serious. We should expand our field of vision and depend on social financial resources to develop the four modernizations. In addition to using budgetary funds, we should take into account extra-budgetary funds, loans, and the funds in the hands of the masses. We should study the distribution of funds not covered by the budget and formulate necessary policies, measures, and guidance plans in order to direct these funds toward the urgently needed construction projects of the state.

5. We should conscientiously implement the "Law on Accounting" and strengthen supervision over accounting work.

CSO: 4006/774

PROVINCIAL AFFAIRS

HEILONGJIANG REPORT ON 1984 FINAL ACCOUNTS AND 1985 BUDGET

SK271330 HEILONGJIANG RIBAO in Chinese 27 May 85 pp 2-3

[Report by He Shoulun, vice governor Heilongjiang Province, on the 1984 final accounts and the 1985 financial budget, delivered at the Third Session of the Sixth Provincial People's Congress on 15 May 1985 in Harbin]

[Text] Fellow deputies:

Entrusted by the Provincial People's Government, I would like to present a report for appraisal on the province's 1984 final accounts and draft of the 1985 financial budget.

1. The 1984 Financial Final Accounts

In 1984, the people of various nationalities throughout the province earnestly implemented the resolutions adopted at the Second Session of the Sixth NPC under the leadership of the party committees and the people's governments at all levels, carried out profound reforms in the economic system, and accelerated the pace of enforcing the open-door policy and conducting economic development. As a result, the province achieved an overall increase in the production of industry and agriculture; scored a marked increase in economic results; enlivened markets in both urban and rural areas; made new development in the undertakings of science and technology, culture and education, public health, and physical culture and sports; and further improved the people's livelihood. On the basis of the steady and healthy development of the national economy, the province made a further turn for the better in financial affairs. It realized a large-scale increase in financial revenues over the 1983 figure on the one hand, and maintained a balance between revenues and expenditures with a little surplus on the other. Meanwhile, the province successfully fulfilled the 1984 financial budget.

In implementing the budget, the province readjusted on a larger scale the former arrangement for the volume of revenues and expenditures covered by the 1984 budget approved at the Second Session of the Sixth Provincial People's Congress thanks to the state appropriation of 45 million yuan in additional and special subsidies for the projects of carrying out capital construction, tapping latent power, and conducting technical renovations among enterprises, engaging in relief activities, building border areas, and supporting backward localities; and thanks to 340 million yuan of excess provincial financial revenues, 390

million yuan of surplus transferred from 1983, and 170 million yuan in additional fixed-quota and final-accounts subsidies issued by the central authorities. As for this readjustment, the provincial Financial Department briefed the 10th meeting of the Provincial People's Congress Standing Committee on this in October 1984. After readjusting the arrangement, the province increased its financial revenue budget from 2.98 billion yuan to 4.336 billion yuan.

In 1984, the province realized 4.375 billion yuan, accounting for 101 percent of the volume in the readjusted arrangement. Except for the 415 million yuan handed over to the state as depreciation charges and the tax rate hike on crude oil, the province's available annual income was 3.96 billion yuan. In 1984, the province's total expenditure was 3.612 billion yuan. The surplus transferred to 1985 was 297 million yuan. Accounts showed a favorable balance of 51 million yuan. The province realized a balance between revenues and expenditures in the year and had a little surplus.

Of total financial revenues realized in 1984, the local revenue of the province was 2.191 billion yuan, accounting for the 122 percent of the readjusted revenue arrangement, and a 437 million yuan and 24.9 percent increase over the 1983 figure, topping the peak scored in recent years. The fulfillment of various major revenues follows:

- 1) Tax revenue from the industrial and commercial sectors came to 2.542 billion yuan, or 7.2 percent more than the budgeted figure, an increase of 224 million yuan, or a 9.6-percent increase over the previous year. Tax revenues were increased at a definite rate, thus laying a foundation for fulfilling the financial budget and revenue plans.
- 2) Revenue from the industrial sector came to 235 million yuan, or 63.2 percent more than the budgeted figure, an increase of 71 million yuan, or an increase of 69.8 percent over the previous year. The increase was mainly attributed to the technical progress of enterprises, improved quality of products, and our efforts to end deficits and to increase profits. All major economic norms increased over the previous year.
- 3) Revenues from the commercial sector came to 25 million yuan, exceeding the budget by a large margin, showing an increase of more than 200 percent over the previous year. The increase was mainly attributed to the increase in commodity sales of enterprises, rapid circulation of funds, improved management, and the results of ending deficits and increasing profits.
- 4) Tax revenue from the agricultural sector came to 188 million yuan, or 25.7 percent more than the budgeted figure, an increase of 13 million yuan, or a 7.4-percent increase over the previous year. The increase was mainly attributed to last year's bumper harvest, and tax exemption and reduction for disaster-stricken areas.
- 5) Agricultural and livestock enterprises as well as reform-through labor and re-education-through labor enterprises paid back 133 million yuan of debts caused by deficits to the state, fulfilling 83.6 percent of the budgeted plan. Deficits dropped by 41 million yuan, or 23.6 percent over the previous year.

The work of ending deficits and increasing profits of these two trades showed much progress.

6) Grain enterprises paid back to the state 798 million yuan of debts caused by deficits and price subsidies for cereal oil, prefulfilling the budgeted plan by 8 percent. This was a bumper grain harvest, expansion of business volume, and an increase in funds. If calculated in terms of comparable items, grain deficits also showed a decline. The increase in the grain business volume further invigorated the grain markets, expanded exports, and supported the development of agricultural production.

The main breakdown of the province's 1984 financial expenditures were as follows:

1) The appropriations for capital construction totaled 556 million yuan, or 123 percent of the budgeted figure, an increase of 65 million yuan in expenditures, or 13.2 percent over the previous year. This was mainly caused by an increase in the state and provincial investment in energy and communications projects, in projects of industry, building materials, agriculture, forestry, and water conservancy, in the construction of dormitories for intellectuals, and in the development of radio and television undertakings. Such an increase was aimed at strengthening the construction of key projects and meeting the needs of development of production and improvements in the people's livelihood.

2) Funds to tap the potential of existing enterprises and to finance their technical transformation came to 326 million yuan, or 149 percent of the budgeted figure, showing an increase of 82 million yuan, or 74.8 percent over the previous year. Such funds were mainly used for speeding up the pace of technical transformation and progress in key enterprises of industry, textile, machinery, metallurgy, building materials, and commerce, for improving production and operational conditions, and for strengthening the reserve strength of enterprises to increase production and income. While implementing the budgeted plan, the state also allowed an additional expenditure for these purposes.

3) Aid to rural production and other agricultural undertakings came to 561 million yuan, or 112 percent of the budgeted figure, showing an increase of 27 million yuan, or an increase of 5 percent over the previous year. This was mainly caused by additional state appropriations and the rapid pace of utilizing investment in developing the Sanjiang Plain, popularizing agricultural scientific research and technology, and supporting the development of animal husbandry.

4) The expenses in cultural, educational, scientific, and public health undertakings came to 880 million yuan, accounting for 114 percent of the budget, and an increase of 117 million yuan, or 15.3 percent, over the previous year. In the course of implementing the budget, in line with the demand for developing undertakings and within the possibilities of financial resources, the state and people's governments at all levels in the province increased expenditures in this respect in order to suit the needs of the education, scientific research, public health, physical culture and sports, and culture undertakings.

5) The expenses in administrative management came to 539 million yuan, accounting for 129 percent of the budget and an increase of 123 million yuan, or 29.6 percent, over the previous year. The increase in this regard resulted mainly from the expansion of the size of public security organs, procuratorial organs, and people's courts; the improvement of installations; the issuance of price subsidies; the increases in living allowances, book and paper subscription subsidies, and wages to intellectuals; the expansion of the staff of various departments; repairs to houses; and the purchasing of new installations.

Last year, the province also overfulfilled the state-assigned quota on collection of key energy and communications projects construction funds and the treasury bond purchasing quota, thus contributing to the construction of the state top-priority projects.

Implementation of the 1984 provincial budget shows that the increase rate in local revenue greatly surpassed that in industrial and agricultural production and in commodity circulation, was higher than the increase rate in national revenue, and was the highest in recent years. In 1984, the province achieved a balance between revenue and expenditure with a slight surplus under a situation in which there were many factors conducive to increasing expenditure, various items of expenditure increased greatly, the task of repaying the state loans and the treasury bonds purchasing task were fulfilled or overfulfilled, the task of collecting key energy and communications projects construction funds was fulfilled, all state-run industrial and commercial enterprises substituted taxes for delivery of profits, and a larger portion of profits was given to enterprises. As of 1984, although the province handed over to the state the 4 billion yuan in profits and taxes delivered by Daqing, provincial local revenue still increased from 1.4 billion yuan in 1980 to 2.19 billion yuan. This shows that our province has greatly strengthened its financial capacity in supporting the development of production, construction, and various other undertakings, and has made a new step in effecting a fundamental turn for the better in the financial and economic situation. This resulted from the efforts of the people of all nationalities across the province to conscientiously implement the principles and policies of the CPC Central Committee, and the efforts of CPC committees and people's governments at all levels to further strengthen leadership over the financial and economic work.

During the past few years, CPC committees and people's governments at all levels in the province have shifted; in terms of guiding principles, the focus of the financial work to supporting production, expanding financial sources, and improving efficiency. They have actively carried out financial reform, further relaxed policy restrictions, expanded the financial powers of enterprises, enlivened distribution, promoted production, expanded the circulation realm, and increase income. The big profit-making enterprises should be vigorously supported, and funds should be invested mainly in such enterprises. Subsidies should be issued to big money-losing enterprises in order to support them to carry out technological transformation. As for large and medium-sized enterprises, various flexible methods should be adopted to reduce their taxes and give more profits to them in order to strengthen their capacity to renovate and develop themselves. In financial and tax policies, we should support small enterprises to invigorate themselves, support

enterprises to boldly utilize foreign capital and adopt advanced technologies, support enterprises to rapidly apply scientific and technological achievements to production, support enterprises to develop various forms of integration, and support enterprises and establishments to develop and improve various [word indistinct] system and financial contract system. Funds allocated from the provincial financial sources and used directly or indirectly for expanding production totaled about 5 billion yuan in nearly 5 years. Of that sum, 1.5 billion yuan was used for technical transformation of enterprises, some 500 million yuan was used to offset tax reduction or exemption and to pay loans in a form of tax, some 2 billion yuan was retained by enterprises in their profit-sharing percentage increased, and some 500 million yuan was used in production and renovation. As has been proved by facts, we should give before we can collect in our efforts to increase revenue. Relaxed financial policies, reduced taxes, and more profit-sharing with enterprises reduced the revenue temporarily, but effectively invigorated enterprises, expanded production, improved economic results, greatly enhanced our financial reserve strength, and promoted the upward trend of the national economy. Within a period of nearly 5 years, all trades and professions in the province put an end to their deficits and increased profits by more than 3 billion yuan, and the provincial revenue increased by a total of 1.8 billion yuan, averaging a 9.4-percent increase per year. All this laid a solid foundation for fulfilling the 1984 budget plan, for increasing revenue in the future, and for achieving a turn for the better in the financial situation.

In 1984, we carried out the work in the following areas in order to fulfill the provincial national economic and social development plan, and ensure the successful fulfillment of the budget:

1) We exerted great efforts to develop production, expand circulation, and improve economic results. In 1984, governments at all levels paid attention to production to promote financial work and developed production through financial work with a view to increasing production, expanding circulation, and improving economic results. A great amount of work was done effectively to expand production, strengthen technical transformation, broaden commodity circulation, improve management and operation, and halt deficits and increase profits. During the year, our agriculture-oriented funds were used mainly to support the development of key and specialized households and the application of agricultural scientific and technological achievements, thus promoting the rural commodity economy. In industrial production, funds were used mainly to support the technical transformation of enterprises, promote technical progress, improve product quality, increase varieties and patterns, and enhance the ability of products to compete and cope with changes. With regard to provincial financial sources, the funds used in technical transformation of enterprises increased by 75 million yuan over the previous year, tax reduction and exemption totaled more than 80 million yuan, and, with approval, more than 100 million yuan in loans was collected in a form of tax. In commodity circulation, we made great efforts to expand purchases and marketing of commodities, strengthened construction of circulation facilities, and enriched market supplies, thus withdrawing more money from circulation. We also regarded the work to stop deficits and increase profits as the focal point. Principal leaders of governments at various levels throughout the province attended to the work, and concentrated efforts on the three major loss-incurring industries

of food processing, grain and sugar refining. In the meantime, we improved the operation and management of enterprises, and strove to achieve a simultaneous increase in production, sales, and the taxes and profits delivered to the state. Through concerted efforts in all fields, the industrial and agricultural output value and commodity retail sales of our province in 1984 increased by 9.8 and 17.6 percent, respectively, over the previous year; all trades and professions reduced their deficits and increased their profits by more than 300 million yuan; and local revenue of the province increased substantially. After several years of hard work, the annual increase of our province's local revenue averaged more than 10 percent from 1980 to 1984, exceeding the target of a 7- to 8-percent increase annually as set forth at the Sixth Plenary Session of the Fourth Provincial CPC Committee, and prefulfilling by 1 year the province's revenue quota stipulated in the "Sixth 5-Year" Plan.

2) We upheld the reform of the managerial system of financial and tax revenues and further enhanced the vitality of enterprises. On the basis of scoring marked achievements in various reforms over the past few years, the province further improved the managerial system in the production of grain and hogs and in financial affairs, as well as the measures for enforcing contracting systems. It expanded the business scale of small-sized enterprises, enforced several new measures for promoting technical progress at enterprises, and relaxed the restriction in the tax-revenue policy on collective-owned, township--and town-run, and foodstuff enterprises. In particular, the province conducted the second-step reform of replacing profits handed over to the state with tax collection in an overall manner among state industrial and commercial enterprises. As a result, the distribution relation between the state and enterprises has become more reasonable, the principle of having the state obtain a greater part of profits has been implemented, and the problem of enterprises "eating from the same big pot" has been basically dealt with. All of this has brought into play the enthusiasm of governments at all levels, enterprises, staff members, and workers in increasing output and curtailing expenditures, resulting not only in a guarantee of steadily increasing financial revenue, but also in a greater increase of profits retained by enterprises themselves. According to statistics, industrial and commercial enterprises themselves. According to statistics, industrial and commercial enterprises throughout the province scored a 50.9 percent and 37 percent increase, respectively, in profits handed over to the state over the 1983 figure; a 35.3 percent and 41.1 percent increase in profits over the 1983 figure; and a 34 million yuan and an 11 million yuan increase in profits retained by enterprises themselves over the 1983 figure. They realized 220 million yuan and 57 million yuan in profits, respectively, accounting for 35.9 percent and 54.9 percent, respectively, of the total volume of provincial earned profits. All of this has provided a great deal of vitality to enterprises and has strengthened the capability of enterprises to conduct self-improvements and self-development.

3) We upheld the principle of making overall arrangements and reasonable contributions to ensure construction of key projects and the development of various undertakings. In 1984, the province saturated the demands to build the key projects in arranging funds. The state also appropriated more additional investment in capital construction to the province. Thus, the key projects of

energy resources and communications were strengthened in construction, the pace of building capital construction projects was accelerated, the period of building these projects was shortened, and the quality of construction work on these projects was upgraded. The 15 items of the large and middle-sized projects (including single items) were put into production in 1984. The 39 items of the 97 energy conservation projects covered by the annual plan were also put into production. To support the development of cultural, educational, scientific, and public health undertakings, the province also increased its expenditures to a greater extent in this regard as compared with the 1983 figure. Of these expenditures, the education fund alone scored a 61 million yuan and 14.6 percent increase over the 1983 figure. To deal with the problem of operating two-shift middle and primary schools, the province also especially appropriated 15 million yuan of special funds. Besides, the province also upheld the principle of having both the state and society operate schools. Funds raised by society for running schools reached more than 60 million yuan. The total funds used for developing education surpassed that of 1983 by a greater extent. As compared with the 1979 figure, total funds surpassed those accumulated over the past 5 years by 90 percent and almost by 100 percent, greatly surpassing the increased scale of financial expenditures for the same 5-year period. Along with the increase in investment in developing intellectual resources, the province achieved new development in educational undertakings. The province's student enrollment at higher educational institutions surpassed the 1983 figure by 8,100 persons. The number of newly-purchased teaching instruments and equipment reached 46,000 sets. The province bought 550,000 new books and reference materials, repaired 690,000 square meters of dangerous school houses, newly bought 390,000 sets of desks and chairs, and lowered the rate of schools enforcing the two-shift teaching system from 4.9 percent in 1983 to 3.3 percent in 1984. The province also achieved rapid development in scientific and public health undertakings and markedly improved basic facilities and medical conditions. Undertakings in culture, physical culture and sports, journalism, and radio and television broadcast were enhanced to varying degrees. Expenditures for agricultural and forestry undertakings increased by 38 million yuan, or 15.3 percent, over the previous year, and new development was achieved in these undertakings. In the field of financial management, we kept expenditures within the limits of revenue, paid attention to an overall balance, broadened the proportion and scope of investment with reimbursement, enforced the fixed-quota system in the expenditures of administrative funds, and persistently upheld the system of having major government leaders give approval before issuing money. Generally speaking, expenditures of the province was brought under control rationally, and returns of investment rose.

4) We adhered to the policy of giving preferential provisions to the "minority nationalities, border, and poverty-stricken" areas, and raised the expenditure self-reliance level of some cities and counties. In 1984, we implemented new preferential policies in the field of tax payments to help areas where people of minority nationalities live, border counties, and poor counties with rather poor economic foundation change their backwardness and catch up the pace of the province's better financial and economic situation. In addition to the preferential provisions of different degrees of tax reduction and exemption for township enterprises of these areas and the preferential provisions on

agricultural tax payments, we increased the funds to be allocated to these areas when working out the budget, emphatically helping 12 "minority nationalities, border, and poverty-stricken" cities and counties with 25 million yuan to carry out technical transformation at enterprises, and to solve the problems in transportation, culture, education, health, post and telecommunication, communications, renovation of civilian houses, water and power supply, and radio and television broadcast, thus promoting production and other undertakings, and making the financial and economic situation of these areas begin to improve. By the end of the year, 7 border counties achieved self-reliance with a surplus in revenue and expenditure, and 12 counties which suffered deficits in the previous year achieved a balance between revenue and expenditure with a small surplus. In this way, the financial situation of the province was further improved.

In addition, in order to meet the needs in implementing the policy of enlivening domestic economy and opening to the outside world, we put into effect a series of preferential policies in the field of tax payments to the foreign countries and other provinces which set up joint ventures or enterprises exclusively with their own funds in our province, and to the enterprises in and outside the province which expanded economic cooperation and carried out specialized production. In this way, the needs in developing the situation were basically satisfied.

In 1984, financial situation of our province was good in general, but some problems still existed, which we should pay attention to.

In the field of revenue, the major problem was the continuous poor economic results of enterprises and the fairly large amount of deficits of industrial, commercial, grain, agricultural, and animal husbandry enterprises, which hindered the improvement of the financial situation. In the field of expenditure, the major problem was the unhealthy trends emerging in some units, the unwarranted subsidies, in cash or in kind, and the purchases of video recorders and cars by some administrative units. This increased institutional purchases, brought the consumption funds out of control to a certain extent, and adversely influenced the greater surplus of revenue. At the same time, such problems as losses and dispersal of revenue, evasion of tax payments and profit delivery, and false reports on operational achievements still existed in some localities and enterprises. The above-mentioned problems were the results of the insufficient efforts of governments at various levels to increase revenue, cut expenditures, stop deficits, and increase profits; the insufficient efforts to resolutely resist new unhealthy trends and exercise strict financial supervision; and the one-sidedness in our ideas and understanding, which resulted in slackened management of expenditures due to the good situation of a substantial revenue increase. Through practice, we have come to understand that under the excellent economic situation, the task for financial work is still very arduous. To effect a fundamental turn for the better in the financial and economic situation, we must continue to grasp the work of increasing revenue and economizing expenditures, and the work of halting deficits and increasing profits. With revenue increasing by a relatively great scale, we should never relax control over expenditures. In the course of relaxing control over policies and enlivening the economy, we must strengthen financial

management, pay attention to resisting various unhealthy trends, remove obstacles, and promote the sound development of the economy.

2. The 1985 Draft Budget

The year 1985 is the last year to implement the Sixth 5-Year Plan as well as the first year to implement the "decision" of the 3d Plenary Session of the 12th CPC Central Committee. To ensure the smooth development of economic structure reform and sustained and stable development of the national economy, to improve the province's financial and economic situation in line with the general demand of the state on financial and economic work, the basic principles for the 1985 provincial budget are: Focusing on the increase of economic results and proceeding from development of production and invigoration of the economy, we will strive to open up more financial sources, deeply tap potential, and constantly increase revenue. In adherence to the principles of keeping expenditures within the limits of income and acting according to our ability and ensuring key projects and paying attention to general projects, we will ensure the needs of production, construction, and economic reform; support the development of the cultural, educational, scientific, and public health undertakings; promote urban and rural construction and market stability; and improve the people's living standards. In resolutely controlling the macroeconomy through strengthening overall balance and financial management, we will vigorously curtail unnecessary expenditures and ensure the balance between revenue and expenditures with a slight surplus.

According to the 1985 draft budget, total provincial revenue is budgeted at 3.12 billion yuan. Deducting the 266 million yuan of Harbin revenue which should be delivered to the state, because Harbin has its independent financial plan, the real total financial revenue of the province is 2.85 billion yuan, an 8.5-percent increase over the 1984 budget. Because the state has implemented a new financial system in our province and carried out the second step of substituting taxes for the delivery of profits, many enterprises' profits have been changed to tax revenue and new changes have taken place in the revenue structure. Therefore, we have properly readjusted budgeted revenue. After the readjustment, the arrangements for various major items of revenue are: 1) Industrial and commercial taxes are budgeted at 3.838 billion yuan, showing a big increase over the past year. 2) Agricultural taxes are budgeted at 154 million yuan, basically maintaining the level of the past year. 3) The income of industrial enterprises is budgeted at 121 million yuan. 4) The income of forestry industrial enterprises is budgeted at 90 million yuan, and the deficits to be caused by agricultural and livestock enterprises are budgeted at 134 million yuan. 5) More than 40 million yuan of profits of commercial enterprises across the province will be changed to tax revenue and added to the province's finances. In this way, after balancing losses and profits, we plan to return 15 million yuan to the provincial finance to make up deficits. 6) Some 824 million yuan will be used as subsidies for money-losing grant enterprises and as subsidies to make up the differences between the state purchasing price and the market price for grain and oil. This shows a slight increase over the previous year. The reason for this increase is that this year we will probably reap a bumper

harvest in grain which will lead to increases in transaction volume and in deficits caused by policies.

The arrangement of total revenues in the 1985 budget surpasses that of 1984 by 8.7 percent and is generally equal to the 6.7 percent increase in total industrial and agricultural output value set forth by the province's draft plan for the national economy and social development. Although the wages paid by state enterprises will increase because of conducting reform in the wage system this year, we should show consideration for the technical renovation of some large and middle-sized enterprises in conducting public finance and tax revenues because of entering the second step of replacing profits handed over to the state with tax collection, and although the financial revenues will relatively decline because of readjusting the prices of raw materials and power supply, further enlivening the domestic economy and enforcing the open-door policy along with implementing the central decision on conducting reform in the economic system will certainly bring about new vitality to production, commodity circulation, and to other fields and will powerfully promote the development of productive forces and the increase of financial revenues. Therefore, we still have conditions for fulfilling the revenue tasks set forth by the 1985 budget.

The province has arranged 2.85 billion yuan for the total financial expenditures of 1985, a 220 million yuan and 8.5 percent increase over the 1984 figure. The arrangements of various major expenditures are as follows:

- 1) We will appropriate 286 million yuan for capital construction, which is basically equal to the 1984 budget. The arrangement of investments will be concentrated on the projects of energy resources, communications, and raw materials as well as on the projects of building houses for intellectuals, educational and cadre-training bases, commercial service facilities, and of setting up networks among granaries. It will be also concentrated on the special projects dealing with the problem of the two-shift system in middle and primary schools.
- 2) We will appropriate 124 million yuan for enterprises to tap latent power and conduct technical renovations, a 24 percent increase over the 1984 budget. The major arrangement of the funds will be concentrated on the large and middle-sized enterprises to introduce new technology, to make technical progress, to tap latent power, to conduct technical renovations, and to improve the complete set of production equipment in order to strengthen the reserve strength of enterprises in increasing incomes by increasing output. From this year on, funds in this regard will be renamed as foundation funds and will be used in the combination method of putting these funds into circulation with or without compensation in order to increase the effect of fund utilization and to steadily reinforce reserve financial resources for supporting the enterprises in making technical progress.
- 3) We will appropriate 26 million yuan to the "three itmes" projects of science and technology, a 23.8 percent increase over the 1984 budget. The arrangement of funds will be concentrated on the popularization and application of scientific and technological results in order to enable these results to

become practical productive forces. In 1985, a number of these funds will also be renamed foundation funds in order to enforce the foundation system in scientific research and the system of making over the scientific and technological results with responsibility among the scientific research units engaged in technological development and application so as to gear scientific research to society, reality, to directly integrating itself with production, and to becoming productive forces as soon as possible.

4) We will appropriate 483 million yuan for the projects of supporting agriculture, an 8 percent increase over the 1984 budget. The province has properly increased funds for developing township and town-run enterprises, popularizing agricultural technology, and breeding fine strains of grain.

5) We will appropriate 826 million yuan for the projects of developing the undertakings of culture and education, science, and public health, a 10.8 percent increase over the 1984 budget. Of this increase, funds for secondary and higher education show an 11 percent increase over the 1984 figure, and the funds for general education and scientific study, an 8 percent increase over the 1984 figure. Besides, the province has also arranged 33 million yuan for special items in this regard.

6) According to arrangements, 14 million yuan will be used as administrative funds. This is an 11.5-percent increase over the budget of last year. The increased amount is used mainly in the systematic staff increase of public security, procuratorial, and judicial departments, and as price subsidies. Administrative funds for public use were reduced as compared with last year. Construction funds for simple projects, pensions and social relief funds, militia administrative funds, and funds for reform or reeducation through labor remain the same as the previous year.

The reserve funds of the whole province are planned at 83 million yuan, of which 43 million yuan is for departments at the provincial level.

With regard to the arrangements for the 1985 budgetary expenditures, we should give explanation in three areas. First, although the entire budgetary expenditures show a fairly large increase over those of the previous year, they lag rather far behind the demands of various fields, and the contradiction between the supply and demand of funds is still rather conspicuous. The major reason for this is that we must allow a leeway in budgetary expenditures before the potential for a revenue increase is turned into actual revenue. Second, funds for cultural, educational, and health undertakings to be allocated according to arrangements are greater than last year's budget, but supply still falls far short of demand. In carrying out the budget, the central authorities will allocate funds to us successively for special purposes, and various localities will also make arrangements to increase the expenditures for these undertakings when their revenue exceeds quotas. The result of the implementation of the budget will certainly show an increase in the expenditures for cultural, educational, scientific, and health undertakings over the actual expenditures for the same purpose of last year. Third, with regard to the funds needed by the wage and price reforms initiated this year, we make arrangements for supplying more funds for this purpose by financial allocation and by the method of not collecting what we should collect. At the same

time, we also take into consideration the new changes which are likely to emerge in reforming the economic structure and carrying out the budget. All in all, in making arrangements for the 1985 budget, we not only take into account the potential for developing production, improving economic results, and increasing revenue but also pay attention to keeping the expenditures within the limits of revenue, and emphasize key projects while giving consideration to general projects. Quotas of expenditures and revenue for various purposes and from various sources are fixed fairly positively and realistically with some leeway left. This budget is mapped out on a sound basis. We are convinced that, under the correct leadership of CPC Committees and governments at various levels and with the concerted efforts of the people of various nationalities of our province, the 1985 budget will be fulfilled successfully.

3. We Should Work Hard To Fulfill the 1985 Budget

At present, the political and economic situation of our province is very good, stability and unity are further consolidated, economic construction develops in a steady and coordinated manner, and great achievements have been scored in promoting the socialist spiritual and material civilizations. However, tremendous efforts are necessary, because there are still many financial problems, and the tasks for fulfilling this year's budget are arduous. We should correctly implement the guiding principles of the party and the state for financial and economic work, emancipate our minds continuously, carry out the tax reform thoroughly, expedite the change of financial work from administrative one into one of business, adhere to the principle of exercising relaxed control in some fields and strict control in others, put more efforts in enlivening the economy, open ways for and serve the vigorously developing new situation, promote production with financial work, lead financial work with production, and strive to open up financial sources on the basis of developed production and improved economic results. We should carry forward the fine tradition of arduous struggle and building up the country through thrift and hard work, practice frugality, oppose waste, strengthen an overall balance and financial management, ensure the successful fulfillment of the budget, and enable financial work to conform to and promote the province's economic construction and other undertakings. In order to fulfill the tasks for the 1985 budget, we should emphasize the work in the following seven fields.

First, we should strive to develop production, and further raise economic efficiency. This is the basic way to increase revenue and further improve the financial situation. In the guiding ideology for economic work, priority should be given to the improvement of economic efficiency. By no means should we blindly seek a high growth rate. We should strive to further improve economic efficiency even at the cost of slowing down the growth rate. Prominence should be given to increasing production and the income of big profit making enterprises. Funds should be mainly given to those big profit making plants which produce the products needed by the markets and products exported to earn foreign exchange in order to help them expand the production scale can increase sales and revenue. Continues efforts should be made to carry out technological transformation among enterprises, and to adopt new science and technology to effect technological progress. As for items which will certainly yield profits, we should import foreign capital to carry out technological transformation, improve the quality of products, increase their designs and

varieties, create more high-quality and brand-name products, and strengthen competitiveness and the ability to meet the changes in market needs. In the course of invigorating the provinces we should import more goods from other provinces, and properly import some commodities which are in short supply in the provincial markets in order to enrich the supplies in markets and withdraw a good deal of currency from circulation. Continued efforts should be made to improve the management and operation of enterprises, improve various management systems, perfect various forms of economic responsibility systems, tap potential within enterprises, raise the profit- and tax-yielding rate and the turnover rate of capital, and raise the economic efficiency of enterprises. This year, the profits made by all profit making enterprises in the province should increase by more than 15 percent over the past year.

Second, we should pay attention to halting deficits of enterprises. Some enterprises in the province now still suffer losses. This not only hampers the increase of revenue, but also affects the benign cycle of the national economy. This year, people's governments at all levels in the province should give prominence to the work of halting the deficits caused by foodstuff, grain, sugar refining, agricultural and livestock enterprises. The whole country should seek unity of thinking and action, and make great efforts to achieve success in this regard. We should penetratingly carry out production and management reforms, further improve the contract system in halting deficits, delegate more management powers to some money-losing trades, further relax control over the financial management system of money-losing enterprises, and implement new financial and tax policies to encourage enterprises to halt deficits and increase profits. We should assign plans to halt deficits to units at all levels, and strictly implement the responsibility system with rewards and penalties. Reward should be given to those units which fulfill the task of halting deficits. As for those which fail to fulfill the deficit halting tasks, punishment should be given to them, and no further state subsidies should be given. Those enterprises which have incurred a huge sum of deficits for a long time due to poor management should be closed down, suspended, or transferred to others. By no means, should we allow such enterprises to continually incur deficits and to affect financial and economic situations. This year, the deficits caused by money-losing enterprises in the province should drop by more than 30 percent from last year. This rate is not available to grain enterprises. Through reversing the deficits of enterprises, we should ensure a relatively big increase in financial revenue.

Third, we should continue to conduct reform of the tax revenue system to further arouse the enthusiasm of all fields for increasing production and practicing economy. We have made achievements in this regard over the past few years and this year we should continue to attend to the reform of the tax revenue system so as to catch up with the pace of the entire economic restructuring, to create conditions for the reform of the economic structure, to further energize enterprises and to apply greater pressure on them, and to fully tap enterprises' potentials for increasing production and practicing economy. The first step is to conduct the reform of the tax revenue system well. Beginning this year, we should conduct the reform of the tax revenue system well and carry out a new revenue system of the state transmitting to the province and the province transmitting to cities and counties the task of "clarifying the categories of taxes, appraising and deciding amounts of revenue and

expenditure, and letting each level undertake assigned jobs" in line with the principle of arousing the initiative of the province, cities, and counties, protecting the advanced and taking care of the "minority, frontier, and poor" areas; and in line with different local conditions. The provincial government recently held a special conference to implement the new system. The second step is to continue attending to the second step of the substitution of taxation for profit delivery. On the basis of comprehensively conducting the second-step tax reform among over 4,200 state industrial and commercial enterprises last year, this year we should solve existing problems, consolidate the achievements in reform, and further expand the scale of reform to bring the grain processing, forage processing, and forest industrial enterprises into the path of the second-tax reform in order to create new vigor at larger number of enterprises. The third step is to firmly attend to the establishment and improvement of financial departments at the township and town level. On the basis of the pilot work done over the past few years, this year we will comprehensively mobilize the township and town governments to manage the revenue and expenditure well so as to promote the development of the rural commodity economy. The fourth step is to further relax policy restraints and continue supporting and promoting the open management of small enterprises. We should adopt flexible methods to help those enterprises with heavy difficulties and that are unable to take sole responsibility for their own profits or losses after tax payments to solve their problems. We should turn the rate of overall depreciation into that of classified depreciation by state and in groups among large and medium-sized enterprises. We should try every possible means to extend more loans with deducted interest while the situation permits in order to ceaselessly increase the large and medium-sized enterprises' capability in self-transformation and development. The fifth step is to encourage other provinces to invest in our province. The provincial key city should offer a preferential tax policy on technological expansion to counties (cities) (Shi) to help them develop various forms of economic cooperation and boldly import foreign funds and advanced technology. We should enable revenue reform to suit the demands of the entire economic restructuring in order to promote economic development and increase revenue.

Fourth, we should strengthen management of tax revenues and vigorously organize forces to increase revenue. Our province's industrial and commercial tax revenue is constantly a key pillar of revenue. After the second-step tax reform, the profits of most enterprises have been turned into taxes and the proportion of taxes in the revenue is becoming greater and greater. Ensuring the fulfilling or overfulfilling of tax collection tasks is of decisive significance in realizing the budget and keeping a balance between revenue and expenditure. Along with the development of the economic restructuring, the revenue that is regarded as the economic lever is of greater importance for readjusting the economy and promoting the development of production and construction. Governments at all levels should fully understand the significance of tax revenue, strengthen leadership over tax revenue work and fully use the means of tax revenue to strengthen tax revenue work. We should enhance the construction of the ranks of workers in charge of tax revenue work and firmly attend to installing cadres in charge of this work. We should show concern for and support the work of tax organs, help solve the problems of tax revenue work, and protect the cadres' enthusiasm for collecting taxes. We should train cadres well and improve their political and professional quality. In

order to suit the new situation in tax resources, we should attend to the tax revenue work of state enterprises as well as strengthen the work of collecting taxes from urban and rural collective enterprises and individual business. We should attend to collecting funds for supporting key energy and transport projects and selling treasury bonds. Tax cadres should firmly foster a sense of respect for the state, enhance their sense of policy and production, strengthen tax collection, levy taxes according to the prescribed ratio, and grant tax reduction and exemption according to law. They should have the ability to build up and expand tax sources, and resolutely check tax evasion and unauthorized tax reduction and exemption. They should fulfill or overfulfill the various tax collection tasks.

Fifth, we should strengthen management of expenditures, and cut institutional purchases. In order to guarantee the fulfillment of this year's budget, we should strengthen management of expenditures, reduce unnecessary expenses, and bring expenditures under control while opening up new financial sources and increasing revenue. Governments at all levels should strengthen control over expenditures, and pay attention to both revenue and expenditures. Distribution of major expenditures should be discussed conscientiously, and expenses for all purposes should be approved by major government leaders. We should keep expenditures within the limits of revenue, make overall arrangements, ensure key projects, and carry out meticulous calculation. This year's investment in capital construction and in the projects of tapping potential, renovation, and transformation should be carried out in strict accordance with plans, and should never be exceeded arbitrarily. We should strengthen the supervision and management of financial allocation and loans, increase the returns of investment, and complete every project in a shorter period and with less investment and quicker results. We should conscientiously implement the State Council's "Circular on Economizing on Administrative Funds," and "Circular on Bringing Institutional Purchases Under Strict Control." Party and government organs at various levels, the people's organizations, and the public security, procuratorial and judicial organs should cut their administrative funds for public use by 15 percent from last year's actual expenses without exception, and should focus on reducing the flexible expenses for purchases, repair, and meetings. Enterprise management funds and the administrative funds of institutions should also be reduced according to this guideline. Institutional purchases should decline by 20 percent this year as compared with last year. In order to bring institutional purchases under strict control, the province has assigned quotas to various localities and departments. It will control the overall quota, properly centralize the power to approve the purchases of special-control commodities, and emphasize control over the purchases of cars and video recorders, in particular, above-quota high-priced imported cars. We should educate the masses of cadres and staff members and workers to carry forward the fine tradition of arduous struggle and building up the country through thrift and hard work, and oppose extravagance and waste. Provincial revenue has increased steadily over the past few years, and expenditures for various purposes have also increased accordingly in order to develop production, construction and other undertakings. The financial situation is very good. Generally speaking, however, the foundation of our province is still very poor and, judging from the needs of development, the contradiction between the supply and the demand of funds is still

very conspicuous. We should proceed from the need of the overall situation, reduce institutional consumption expenses, and use the limited funds for the four modernizations where they are most needed.

Sixth, we should strive to achieve an overall balance in social financial resources, and promote the sound and coordinated development of the economy. Following the in-depth development of the economic reform, new changes have taken place in the structure of the distribution of funds, the profits shared by enterprises, the funds from other countries and provinces; the amount of money held by the people has increased continuously; and social financial resources have become increasingly greater. Whether or not we can rationally distribute and manage social funds has an important impact on our endeavor to accelerate production, construction, and other undertakings in our province. In the future, our efforts to manage the budgetary financial sources well alone will no longer conform to the need of the developing situation. We should have our eyes on social financial sources, strengthen macroeconomic control, and work out overall plans for the overall balance of the funds in and outside the budget. Governments at various levels should use economic levers and the law of value to distribute and manage all social financial sources well without changing the ownership of funds, and without adversely influencing the economic reform and the work to enliven the economy. They should adopt preferential policies and various effective measures to collect funds from the various sources of society in a planned manner, and use social financial sources to the maximum in the strategic focus of the economic and social development of our province; in developing energy, communications undertakings, technical transformation, and intellectual sources; and in tertiary industry. In this way, we will be able not only to relieve the shortage of funds for developing economic strategic priorities but also to transfer some budgetary financial resources to handle some big affairs. We should strengthen the management of the funds not covered by the budget. We should stop the activities of arbitrarily spending money, the activities of turning production funds into consumption funds, and the activities of blindly engaging in construction to bring about losses and waste. We should strengthen the overall balance and management of the social financial forces in order to promote a sound and coordinated development of our province's economy.

Seventh, we should enforce financial and economic discipline and resolutely correct unhealthy practices. During the preceding period, problems concerning violation of financial and economic discipline arose to varying degrees in some enterprises and units because of the influence of unhealthy practices. Through general investigations and eliminations, the situation has taken a turn for the better. However, some enterprises and units still fail to thoroughly correct the practices of arbitrarily apportioning costs and funds; corrupting the state revenue; using public funds for giving dinners and presenting gifts; arbitrarily issuing bonuses, subsidies, and materials; and purchasing expensive commodities. In particular, a comparably serious problem exists whereby some localities and departments take the opportunity of conducting reforms to make up various names for arbitrarily apportioning expenses and asking for money from the enterprises. Through these problems, the state revenue is reduced, the financial resources are decentralized, and the enterprises' and the people's loads become heavier. Some people even use various methods to pocket money. We should resolutely implement the regulations of the CPC Central Committee and

the State Council and adopt economic, administrative, and legal means for resolutely stopping various unhealthy practices of violating financial and economic discipline. We should pay special attention to solving the problems concerning arbitrarily apportioning money from the enterprises and the establishments and the peasants. From now on, the items of funds collection formulated by all localities, cities, counties, and provincial-level departments will be eliminated except for the items formulated by the State Council, through the joint approval of the responsible departments and financial departments, and in accordance with the law stipulated by the Provincial People's Congress and the regulations of the Provincial People's Government. We should firmly attend to investigations and studies for solving the affairs concerning collecting funds to bring benefits to the people, work out appropriate plans, submit them to the Provincial People's Congress and announce their implementation with the approval of the Provincial People's Government. Grassroots units and the individuals have the right to refuse to pay the money when the items of funds collection fail to pass through legal procedures. We are never allowed to raise the amounts of legal fees and funds collection without authorization. The financial, tax, audit, bank, and industrial and commercial administrative departments should bring into full play their functions of strictly supervising and managing financial revenue and financial affairs in line with principles. All localities, departments, enterprises, establishments, and units should correctly handle the relations between conducting reforms and abiding by discipline and the law, and firmly foster ideas of taking the whole situation into consideration and abiding by policies and discipline. Efforts should also be made to correctly handle the relations between the interests of the state, the collectives, and the individuals, attach prime importance to the interests of the state, handle affairs strictly in line with the party and state policies, and ensure the smooth progress of our province's economic development and economic restructuring.

Fellow deputies, from January to April this year, our province's industrial production steadily increased, the circulation of commodities was ceaselessly expanded, and all undertakings experienced sustained development. Revenue reached 1.22 billion yuan, an increase of 14.4 percent over the previous year, according to comparable items. Expenditures reached 709 million yuan. The local revenue continuously increased by a higher margin. The speed with regard to total expenditure was comparably reasonable. The entire financial and economic situation was very good. With such good starting points, the prospects for developing the economy are inspiring. We should continue to make efforts, work solidly, persist in reforms, pioneer the road of advance, and fight to fulfill and overfulfill the 1985 budget plan.

CSO: 4006/722

PROVINCIAL AFFAIRS

SHANDONG FINANCIAL REPORT ON ACCOUNTS, BUDGET

SK010706 Jinan DAZHONG RIBAO in Chinese 7 Jun 85 pp 2, 3

["Excerpts" of report by Guo Changcai, director of the provincial Finance Department, on the 1984 provincial final accounts and the 1985 draft budget, delivered at the third session of the Sixth Provincial People's Congress on 25 May]

[Text] Fellow deputies:

Entrusted by the provincial People's Government, I now submit a report on the 1984 provincial final accounts and the 1985 provincial draft budget for examination by the present session.

1. The 1984 Final Accounts

In 1984, under the leadership of CPC Committees and People's Governments at all levels, all localities and departments conscientiously implemented the party line, principles, and policies and various resolutions adopted at the second session of the Sixth Provincial People's Congress, and actively carried out the reform of the economic structure. As a result, the urban and rural economy flourished and became brisk, the people's living standards were improved, and new achievements were scored in the educational, scientific, cultural, public health, and sports undertakings. Based on the sustained, stable, and coordinated development of the national economy, the implementation of the provincial budget was good basically. The state-assigned target on revenue was overfulfilled. The financial resources available for local use in the year showed considerable increases, thus basically ensuring the demand for the development of construction, production, and all other undertakings. However, the increase in financial expenditures was so big that it exceeded the financial resources available in the year, thus incurring a relatively big deficit.

According to the 1984 provincial final accounts, the provincial revenue came to 5.36 billion yuan, fulfilling the budget by 102.68 percent and showing an increase of 7.71 percent over the previous year. Of this, the revenue from various taxes came to 4.84 billion yuan, exceeding the budget by 8.88 percent and showing an increase of 12.85 percent. Except for policy factors, such as the readjusted tax rate of some products and the substitution of taxes for delivery of profits at some enterprises after the introduction of the second step of the

tax system reform, the relatively big increase in tax revenue mainly resulted from the increase in production, the expansion of commodity circulation, and the improvement of tax collection and management.

The revenue from enterprises (including income taxes and regulated taxes from state-run enterprises) came to 472 million yuan, fulfilling the budget by 64.9 percent and a drop of 25.39 percent from the previous year. In addition to part of the profits being changed to taxes and delivered to the state, there were three reasons for the reduction of revenue from enterprises. First, in the course of rationalizing economic relations, the prices of textile products were cut, railway transport fees were raised, and the expenses in managing the increased stock of cotton went up, thus adversely affecting the income of industrial and commercial enterprises. Second, after the second step of the tax system reform and due to the changes in policies and systems, the profits retained by enterprises and the money used to pay back technological loans increased considerably, thus decreasing the profits delivered to the state. Third, some enterprises concentrated on selling old stockpiles of tea and scrapped medicines at reduced prices, thus affecting a part of revenue.

In 1984, the province sold 221 million yuan of treasury bonds, exceeding the state-assigned target by 3.63 percent, and collected 357 million yuan of funds for building key energy and transport projects, surpassing the state-assigned target by 31.36 percent.

According to the final accounts, the 1984 provincial expenditure came to 3.898 billion yuan, accounting for 98.03 percent of the budget, and a 20.74-percent increase over the previous year. Adding the 340 million yuan of special funds which will be transferred to 1985 for continuous use, expenditure in 1984 accounted for 106.58 percent of the budget, a 16.97-percent increase over the previous year. The expenditures in the final accounts were: 1) Appropriations for capital construction totaled 518 million yuan, an increase of 29.91 percent. 2) Funds to tap the potential of existing enterprises and funds for three scientific and technological purposes amounted to 211 million yuan, an increase of 36.77 percent. 3) Funds for urban maintenance and environmental protection came to 221 million yuan, an increase of 21.33 percent. 4) Aid to rural production and other agricultural undertakings totaled 395 million yuan, an increase of 3.82 percent. 5) Operating funds for culture, education, science, and public health services totaled 1.373 billion yuan, an increase of 16.86 percent. 6) Pension and social relief funds came to 200 million yuan, an increase of 6.84 percent. 7) Administrative funds totaled 695 million yuan, an increase of 32.67 percent. Increased appropriations were mainly used for assigning jobs for college and secondary specialized school graduates; settling military cadres who have been transferred to civilian work; unifying the charges of public bathrooms and barber shops books, and newspapers; and issuing bonuses to units or individuals advanced in cutting down expenditures; increasing funds for meetings; for someone away on official business; and building new cities, districts, and townships. Authorities at all levels increased their expenditures for such purposes.

The above cases showed that the increase in financial expenditures was necessary and normal. We had a source of funds for this purpose. But part of the

expenditures were arranged with difficulties in developing urgently needed undertakings which were beyond our financial capabilities. Some were unreasonable expenditures caused by ineffective management and our failure to practice a strict economy and budget carefully. For instance, some localities and units expanded the scope of floating wages and recklessly issued bonuses, subsidies, clothing, and foodstuffs. We should profoundly sum up experiences and lessons from this. We should enhance our ideology, strengthen management over our work, plug the loopholes in the system, and strictly observe discipline while handling cases.

Our province's 1984 local financial breakdown was: Revenues, including those shared by the localities from the total revenues of the year, the specialized funds carried over for continual use from the previous year, special funds and subsidies from the state, and funds not covered by the budget, totaled 4.266 billion yuan, an increase of 15.24 percent over the previous year. Expenditures, including financial expenditures for the year and special funds to be carried over for continual use next year, totaled 4.435 billion yuan, an increase of 20.81 percent. According to the provincial statistics, after balancing the revenues and expenditures, the year's deficits totaled 169 million yuan. Of this, deficits from money-losing units totaled 228 million yuan. The surplus from profitable units totaled 59 million yuan.

In order to fulfill the 1984 national economic and social development plan and the tasks stipulated in the budget, we concentrated our main efforts on the following spheres of work:

1) We vigorously organized revenues along with the development of production. In 1984, the various localities and departments exerted efforts to develop production, improve the quality of enterprises, and raise economic results; achieved sustained development in industry and communications; and reaped an all-round bumper harvest. The urban and rural markets became brisker. The total output value of provincial industry increased 12.5 percent, and that of agriculture, 21.4 percent. The total retail commodity sales in society increased 15.4 percent. This helped create material conditions for increasing revenues. Based on this, the provincial governments at all levels further strengthened leadership over financial and tax revenue work; improved the tax organs, replenished the strength of cadres; intensified propaganda on tax revenues, supervision, and tax check-ups; and consolidated management of tax revenues and discipline on tax collection. The revenue plan was fulfilled in a better manner. Taxes from the industrial and commercial sectors increased 13.51 percent over the previous year. With the development of the rural commodity economy in particular, tax revenue from township enterprises and self-employed businessmen increased some 110 million yuan.

2) We actively reformed the tax collection system in order to meet the demands in the reform of the economic structure. For a long time in the economic work, there was a defect of enterprises eating from the common big pot of the state and staff and workers eating from that of enterprises. In order to change such a situation, we carried out the second step of the tax reform in a comprehensive manner after putting into effect the first step of changing profit delivery into tax payment at state enterprises. In this way, the relationship of

distribution between the state and enterprises was fixed in a form of tax law, and enterprises gained momentum and vitality because they had the after-tax profits at their own disposal. In 1984, state enterprises had 3 billion yuan of profits and special funds for various purposes for their own use after paying taxes, showing an increase of 250 million yuan over the previous year. This reform provided a prerequisite for further invigorating enterprises and enforcing the economic responsibility system at enterprises, and also constituted a breakthrough in the reform of the urban economic structure. Last year, in order to enliven the urban and rural economy, we adopted several measures in terms of tax collection policy to support production, and carried out 18 preferential policies to develop township enterprises. For instance, newly established township enterprises in ordinary areas are exempted from the income tax for 1 year, and those in Heze, Liaocheng, Dezhou, Huimin, and Linyi Prefectures, in Dongying City, and on islands are exempted for 3 years. Township enterprises which had difficulty in the initial stage of their establishment may have their produce tax, value-added tax, and business tax exempted or reduced for 1 year upon approval. These measures played a positive role in encouraging and promoting township enterprises. Last year, we also carried out reform to promote enterprise management at institutions. According to statistics of the 1,300 institutions which had effected the reform, their income from business reached 270 million yuan, a 44.38-percent increase over 1981, and their profit from business was 25 million yuan, more than 10 times over 1981. In this way, they made up for their fund shortage, and promoted their undertakings.

3) We actively supported industrial and agricultural production while supporting key construction projects. In the field of energy and communications, expenditures allocated from the local budget came to 202 million yuan, showing an increase of 60 million yuan, or 41.76-percent, over the previous year. The expenditures and investment from other sources helped increase the coal production capacity by 810,000 tons, the installed capacity of power generation by 200,000 kilowatts, and the road transportation mileage by 213 km. In the field of agricultural production, all localities and departments, conscientiously implementing the guidelines of the two documents No 1 issued by the CPC Central Committee in 1983 and 1984, increased the agriculture-oriented investment as much as possible, and reformed the fund management system in order to support rural commodity production. Last year, financial departments at various levels issued a total of 128 million yuan to support diverse undertakings, township enterprises, irrigation projects by use of the water from Huang He, development of mountainous areas, construction of fast-growing and high-yielding forest bases, and aquaculture in rural areas. With the state's assistance and the peasants' investment in production, the province built or repaired more than 84,700 small farmland improvement facilities, expanded and improved irrigated areas by 4.05 million mu, and supported and helped 4,800 rural cooperative organizations and some 60,000 specialized households to develop diversified exemplary, developmental, and key undertakings. This helped improve production, and increase peasants' income. In the field of industrial production and income mainly through tapping potential, actively supported enterprises in technological development, and helped them in technical progress. Under the situation of financial resources being in short supply, last year departments at all levels allocated some funds to importing new technology and new equipment, conducting technological transformation, and rebuilding old workshops, and scored marked achievements in this

for instance, the small nitrogenous fertilizer enterprises in our province suffered losses before 1980, the highest deficits reaching 100 million yuan. In conducting technological transformation in a planned manner, the deficits of these enterprises were reduced yearly while their profits increased yearly. In 1984, the entire nitrogenous fertilizer industry earned 78 million yuan of profits, an increase of 34.3 percent over 1983. In order to upgrade the level of productive forces, we further strengthened scientific research work. Last year, the funds for scientific undertakings increased by 11 million yuan, an increase of 62.08 percent. The province made 997 major scientific research achievements, over 70 percent of which have been popularized and applied. This forcefully helped promote the development of production.

4) While continuing to improve the people's material livelihood, we further improved the people's cultural livelihood. Along with the development of production, the livelihood of urban and rural people was ceaselessly improved. Last year, the per capita income of the province's peasants increased by 19.7 percent over the previous year and the income of urban staff and worker families for living expenses increased by 19.7 percent. New improvements were made in the people's housing. New development was made in public health undertakings. Last year, the province constructed hospitals and sanatoriums covering 127,000 square meters of land, added 3,658 hospital beds, and used 32 million yuan of funds to purchase and add medical instruments. Medical conditions were improved. Last year, governments at all levels further paid attention to accelerating intellectual development. They did their best to increase investments in this regard and simultaneously carried out business management among some establishments and units with profits in order to increase their income and develop production. Last year, the province added 98 million yuan of funds to develop educational undertakings, an increase of 14.46 percent. Enrollment in institutions of higher learning increased by more than 11,000, or 20 percent over the previous. Enrollment in secondary specialized schools increased by over 11,000, or 14.29 percent over the previous year. As of last year, 351 regular middle schools were changed into urban vocational middle schools and agrotechnical schools. With the concerted efforts of all fields across the province, the province rebuilt 226,000 schoolhouses and added 950,000 sets of desks and chairs. The province accomplished much in the task of changing rural school classrooms in poorly lighted and backward environments. Certain progress was made in radio and television, and press and publication undertakings.

Achievements were made in 1984's revenue work. The main trend of the work was good. However, there were some problems in the course of advance. The principle problem was that the province suffered financial deficits. Objectively, the reasons for incurring deficits were that revenue fell and expenditure increased. Subjective factors were even more important. First, we did not hold a strong idea of acting according to one's capability and maintaining a balance between revenue and expenditure, and were overanxious to develop undertakings in many fields and excessively spent money that should not have been spent. Second, under the situation of a turn for the better taking place in financial revenue, the ideas of practicing economy, careful calculation, and strict budgeting were weakened. We spent money carelessly. With poor economic calculations, we lacked foresight of the problems emerging from economic activities, such as the problem of registering rapid increases in consumption funds in the fourth quarter of last year, in particular, last December. So, we did

not take any preventive measures. Third, we failed to strictly control expenditure so that expenditure was increased by a large margin and surpassed the capacity of local financial resources. We must conscientiously remember these lessons. Under an excellent situation, we must remain alert in handling issues on maintaining a balance between revenue and expenditure. We should never lower our guard on this.

2. The Draft Financial Budget for 1985

In order to consolidate and develop the current excellent situation, and to ensure smooth progress in economic structural reform and sustained, steady, and coordinated development in the national economy, in principle, our province's 1985 financial revenue and expenditure arrangements were: We should strive to open up financial resources, and increase financial revenues along with the development of production and improvements in economic results, and adhere to the principle of acting according to one's capability. The newly added financial resources should be first used for ensuring the needs of wage and price reform. Continued efforts should be made to support the development of cultural, educational, scientific, and public health undertakings. We should strictly control financial expenditures through strengthening a comprehensive balance and financial management in order to achieve a balance in the year's revenue and expenditure.

The 1985 budget for financial revenue was made in accordance with the state-assigned revenue task and our province's actual situation, which is 6.66 billion yuan (including the newly initiated urban construction maintenance taxes), an increase of 12.27 percent. Of this, various other tax revenues will total 5.719 billion yuan, an increase of 9.95 percent over the previous year. Revenues from enterprises (including income and regulatory taxes from state enterprises) will reach 299 million yuan. If calculated in terms of comparable items, the revenue from such sectors will increase 93.3 percent over the previous year. The 1985 state-assigned treasury bond task will involve 346 million yuan, an increase of 63 percent over the previous year. This is mainly caused by the increase in the number of individual subscribers which shows an increase of 100 percent over the previous year. We will collect 271 million yuan for energy and communications key projects, which will be the same as the previous year.

This year's budgeted revenue task shows a fairly large increase in revenue. This task will be very arduous. But we have many favorable conditions and great potential. First, along with the progress in the reform of the economic structure, the national economy will achieve a sustained, steady, and coordinated development and economic results will further improve. Second, some capital construction and technical transformation projects which were carried out in recent years will go into production in succession and will yield beneficial results. Third, on the heels of the readjustment of the agricultural structure and the development of the commodity economy, urban and rural markets will become brisker and will find expression in financial revenues. Fourth, some stockpile goods which were concentratively dealt with in last year's revenues will become a factor for increasing revenues this year. Judging from the first 4 months of this year, the fulfillment of the financial revenue plan was

fairly good. By the end of April, revenue reached 2.7 billion yuan, accounting for 34.12 percent of the budget, an increase of 17.67 percent over the corresponding period of the previous year. Of this, 12 percent was a comparatively normal increase. Certainly, there will be factors of revenue reduction in this year's revenues due to the implementation of the policy of making concessions for the sake of future gains. But judging from the whole situation, it is absolutely possible to fulfill the revenue plan as long as we do our work well. In addition, judging from the needs of state construction and the practical needs of our province, we must guarantee the fulfillment of the plan.

The 1985 financial expenditure budget (including local ones) will reach 3.74 billion yuan, an increase of 547 million yuan, or an increase of 17.13 percent over the previous year. The essential breakdown of expenditures is: 1) The appropriations for capital construction will reach 265 million yuan, an increase of 20 million yuan over the previous year. This is a provincial-level budget arrangement, excluding the prefectural and city capital construction appropriations. 2) The funds for technical transformation in enterprises and for three scientific and technological purposes will be 52 million yuan, an increase of 2.27 percent over the previous year. 3) The urban maintenance cost and the expenses in environmental protection are budgeted at 389 million yuan, an increase of 186 million yuan or 91.83 percent over the previous year. The additional funds in this regard come from the collection of urban maintenance and construction taxes which are earmarked for a special purpose. 4) The expenses to support rural production and various agricultural undertakings are budgeted at 390 million yuan, an increase of 25 million yuan or 6.97 percent over the previous year. 5) The expenses for cultural, educational, public health, and scientific undertakings are budgeted at 1.469 billion yuan, an increase of 167 million yuan or 12.79 percent over the previous year. 6) The pension for the disabled and for the families of the deceased and social relief funds are budgeted at 187 million yuan, an increase of 50 million yuan or 36.11 percent over the previous year. 7) Administrative management expenses are budgeted at 623 million yuan, a reduction of 24 million yuan or 3.77 percent from the previous year. 8) The reserve funds are budgeted at 90 million yuan, of which 50 million yuan is earmarked for the provincial authority, and 40 million yuan for various prefectures and cities. In allocating the funds to the staff related to the above mentioned fields, the factor of wage reform has been considered. In budgeting administrative management expenses, we have first reduced them by 10 percent from the previous year according to the stipulations of the State Council, and then used the reduced portion to increase the wages of the staff.

The above-mentioned arrangements are a general blueprint for the whole province. In line with the financial system of "eating from one's own pot," financial departments at all levels can map out their specific plans according to their respective financial capacities.

3. Struggle to Fulfill the 1985 Budget

The current provincial situation is characterized by political stability and unity and economic prosperity. The socialist enthusiasm of the vast number of the masses is rising to an unprecedented height, and tremendous achievements

have been scored in building socialist material civilization and spiritual civilization. However, we should notice that, at present, the provincial financial departments still have many difficulties. In particular, the relatively big deficit incurred last year is an unfavorable factor to the financial and economic work this year. In fulfilling the 1985 budget on revenue and expenditure, our task is still very arduous. Therefore, we must unify our thoughts, strengthen macroeconomic control, pay attention to the overall situation, and attend to the following points of work:

1) We should conscientiously carry out economic structure reform in accordance with the principle of "being steadfast, being prudent in fighting the first battle, and being sure to win." Carrying out the reform in an active and stable manner is a major event bearing on the overall situation, and is a major condition for effecting a fundamental turn for the better in the economic and financial situation. We should lose no time in continually carrying out reform in line with the unified plans of the CPC Central Committee and the State Council. At the same time, we should further attend to the reforms of the financial system and the system of financial affairs in order to meet the needs of comprehensive economic structure reform. Beginning this year, we should implement such financial management system as "clarifying the categories of taxes, fixing the quota of revenue and expenditure, and letting each level hold responsibility for its own profit and loss." In accordance with the method of letting different levels hold different responsibilities under the unified leadership, various prefectures and cities should adopt different responsibility systems in line with their specific situations. Practice proves that institutes turning themselves into enterprises is a successful reform; an important way to develop the social forces of production, and to solve the financial problem; and is real way to increase financial resources. Therefore, in the future all institutions which can earn money should exercise enterprise management and, in line with different conditions, formulate tasks and measures to achieve step-by-step financial self-reliance. This should be regarded as a strategic task of financial work, and specific plans should be worked out in order to carry out this reform in a down-to-earth manner.

2) We should vigorously straighten out the financial work of enterprises, and strive to improve their economic results. In developing production, we should uphold the unity between the growth rate and economic results; persistently strengthen macroeconomic control and regulation while enlivening the micro-economy; and guide enterprises to carry out economic activities in an orderly manner, to develop along a sound track leading to improved economic results, and to realize increases in both production and income. At present, we should focus on straightening out the financial work of enterprises. All enterprises should carry out and improve the basic work in financial management, enforce the economic responsibility system, and comprehensively apply the economic accounting system so that they will truly turn their financial work into a tool to organize and guide their economic activities, and will enable it to play a better role in improving economic results.

3) We should further strengthen tax collection, and enable it to perform its function as an economic lever more successfully. After the second step of tax reform, the major source of revenue is taxes. We should make the best use of

the means of tax collection, and develop its role in exercising macroeconomic regulation. We should continue to strengthen tax organs, and intensify tax collection and management in order to fulfill tax collection tasks in an all-round way. All enterprises and self-employed workers engaged in commercial and industrial production should report to tax organs their production and business situation in line with the stipulations of the State Tax Law, pay taxes according to the law, and never evade tax payments or refuse to pay taxes. Financial and tax departments at various levels should bear production, the overall situation, and policies in mind; actively support expansion of production; and greatly open up financial sources. They should strictly enforce the tax law, act according to the law, collect according to the prescribed ratio, and collect all the money that should be collected in a timely manner. They should also strengthen the levying taxes from urban and rural collective- and individual-run business units in line with the changes in the structure and distribution of tax sources. Governments at various levels should strengthen leadership over tax collection work, and educate cadres to overcome the one-sided view of "benevolence," and never overstep their authority to grant tax reductions and exemptions arbitrarily, withhold the state revenue, and weaken the role of tax collection as an economic lever. All violations of tax law should be resolutely corrected and strictly dealt with.

4) We should bring capital construction investment and consumption funds under strict control, and strive to economize on administrative expenditures. We should keep the capital construction investment of 1985 within the limits prescribed in the plans, and pay great attention to the returns from investment. This year, all budgetary funds for capital construction will be issued in the form of loans instead of financial allocation, and the fixed-quota investment system and the open-bidding system for construction projects will be introduced. Expenditures allocated from revenue to be used in consumption either by groups or by individuals should be strictly controlled. "The Circular on Controlling and Reducing Administrative Expenses" from the State Council stipulated that this year financial departments from the central to the local levels should reduce their budgetary administrative funds by 10 percent. We should implement the circular resolutely. On the basis of last year's actual expenditure, enterprises should reduce their management charges by 10 percent and establishments and units, departments in charge of the enterprises' work, and various categories of companies should reduce their administrative funds by 10 percent. All localities and departments should conduct education on carrying out the fine tradition of making arduous efforts and being diligent in building the country and resolutely opposing extravagance and waste among the broad masses of cadres and the people. We should strictly control the number of organizational personnel, and the state will not allocate funds for above-quota staff members. Strictly in line with the regulations, we should make efforts to examine and approve the purchases of the 17 kinds of commodities for which the state has asked special attention in order to control their purchase. We should vigorously reduce excess meetings and documents. On the basis of last year's figures, all localities and departments should reduce more than 30 percent of the expenses for holding meetings. Generally we should reduce public expenses in printing, documents, periodicals, telegrams, and telephone calls.

5) We should strengthen revenue management, enforce financial and economic discipline, and resolutely stop various unhealthy practices. The tendency of

violating the financial and economic discipline seriously existed in previous days. Some enterprises and units showed no consideration for the interests of the entire country by evading the payment of taxes, arbitrarily asking for funds, and detaining state revenue. Some arbitrarily raised the prices of goods, and arbitrarily presented bonuses, allowances and materials. Some sought private gains at public expense used public funds to give dinners and presents, and arbitrarily used state funds. Through a general investigation into the payment of taxes and profits and financial affairs in the fourth quarter of last year, the province cracked down on various cases of violating financial and economic discipline, involving 150 million yuan. At present, the CPC Central Committee and the State Council have taken measures and adopted economic, administrative, and legal means to stop these unhealthy practices. All localities and departments must resolutely implement these measures and means and strictly enforce orders and prohibitions. We should fully understand that relaxing the policy restraints is a reform and is thus strengthening management; and that the more enlivened the economy is, the more we should strengthen management and supervision. Financial and tax affairs departments at all levels should enthusiastically cooperate with audit, banking, price, labor, personnel affairs, and industrial and commercial administrative departments to supervise and examine various kinds of unhealthy practices. Those who made serious mistakes should be strictly handled and we should never indulge their mistakes.

Financial departments at all levels and the broad masses of cadres in charge of financial work should further correct the ideology for guiding their professional work; further conscientiously submit to and serve the party's general objectives and tasks; study the principles for making, collecting, using and handling money; be good at viewing and analyzing problems in line with the entire economic situation; link revenue with the economy; work out ways to handle work in all fields; and have a spirit of bravely conducting reforms to create a new situation as well as a scientific spirit of seeking truth from facts in an effort to comprehensively fulfill the tasks in all fields.

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PROVINCIAL AFFAIRS

HEBEI HOLDS MEETING ON REFORMING STATISTICAL WORK

SK100850 Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 26 Jun 85

[Excerpt] This year and next, our province will witness new breakthroughs in reforming statistical work. The focus of reform will be on rural economic statistics as well as statistics on overall balance and economic results. After reform, statistical work will play a more active role in the province's four modernizations drive and in helping party and government leaders at all levels to make macroeconomic policy decisions.

The provincial Statistical Bureau held a meeting on reforming the province's statistical work from 19 to 23 June. Reform measures for statistical work the past 2 years were studied and formulated.

Xing Chongzhi, secretary of the provincial CPC committee, and Li Feng, vice governor, attended the meeting and delivered speeches. They called on the party and government leaders at all levels to conscientiously grasp statistical work. This year and next, reform of our province's rural economic statistical work will be mainly on gradually expanding the past unitary agricultural statistics to rural social economic statistics, which will reflect the agricultural production situation, and on compiling statistics on the total rural social output value, national income, total rural economic incomes and net income, and on increasing rural economic results and making the statistical evaluation quotas concerning the commodity economy more reasonable. The county-level statistical bureaus will institute the system of compiling rural social economic statistics at a fixed time in order to reflect at regular intervals the total output value, retail sales, and the output of major products in the industrial and commercial sectors and in commodity production, as well as the income and expenditure of rural residents. The rural economic statistical data will be collected by means of various investigation and statistical methods.

While instituting and improving the system of statistics on overall balance, the main content of reform should be on strengthening analysis of and research into the macroeconomy. Through analyzing statistics on input and output, we can study how to balance production, circulation, distribution, and consumption in the national economy. Furthermore, we will carry out statistical work on the total output value of national production and on the tertiary industry. This will serve as the main targets for assessing economic work. The focus of statistical reform on economic results will be mainly on enhancing the level of statistical analysis and research, reforming the ways and methods of providing statistical data, shifting the emphasis from mainly reflecting the rate of production and construction to mainly reflecting economic results, and striving to render good service.

PROVINCIAL AFFAIRS

FUJIAN ADOPTS ECONOMIC DEVELOPMENT PROGRAM

OW010437 Fuzhou FUJIAN RIBAO in Chinese 13 May 85 p 1

[Program for developing eight production bases in Fujian, adopted at the third session of the Sixth Fujian Provincial People's Congress on 6 May 1985]

[Text] In 1981, the Fujian Provincial CPC Committee, after looking into the province's geographical conditions, put forward a strategic, tentative plan, according to conditions prevailing in the province, to build eight bases in Fujian (forestry, animal husbandry, fishery, cash crops, light industry, foreign economic relations, science and education, national reunification). The building of these eight bases has far-reaching significance in accelerating the development of production and in raising living standards by making the best possible use of favorable conditions and avoiding the effects of unfavorable conditions and by exploiting the potential advantages of Fujian's mountains, marine resources, overseas Chinese, special policies, and special zones; it also has far-reaching significance in making greater contributions to the entire country by promoting ties across the Taiwan Strait for the reunification of the motherland. Devoting efforts to successfully build these eight bases is an important concern of fundamental interest to the people of Fujian. Therefore, the people and cadres throughout the province should work very hard to accelerate the construction of these bases.

1. Forestry Base

Fujian only has 19 million mu of arable land; its mountainous and hilly areas are 7 times larger than its arable land. Developing its mountainous land by building a forestry base suits its geographic conditions. In developing forestry, we must pay attention to ecological and social results while striving to raise economic results. Overall planning is necessary to develop forest products and such subsidiary products as bamboo, tea, fruit, rosin, mushrooms, edible fungi, dried bamboo shoots, tea oil, and tong oil; to speed up the development of the chemical industry using forest products as raw materials; and to promote the comprehensive use of timber.

The following targets in building a forestry base are to be achieved by the end of this century:

Efforts will be made to expand the forest acreage from 67.45 million mu in 1980 to 1 billion mu by speeding up afforestation, tending to young trees,

speeding up the greening process, and increasing the proportion of forest cover while maintaining ecological balance; the proportion of forest cover is to increase from 39.5 percent in 1985 to 60 percent. We must raise the level of intensive care of forests; ensure speedy growth, quality, and abundant forest products; and ensure that the multiple use of forests will go on from generation to generation. The total quantity of timber reserves is to increase from the 430 million cubic meters in 1980 to more than 600 million cubic meters; annual timber output is to increase to 10 million cubic meters, and output of the forest products industry and forest subsidiary products is to increase from two to eightfold. This will result in their output value rising more than fourfold. Output value of forestry and the forestry industry is to be quadrupled.

By 1990, we should have a good foundation for the realization of the above strategic targets; built 20 million mu of fast-growing commercial timber forests in Jianyang, Sanming, and Longyan; vigorously developed fuel forests, economic forests, forest belts, special variety forests, and forest and subsidiary products; and promoted greening work throughout the province by planting trees along riverbanks, railways and roads, and coastal zones. Four forest products industrial centers will be constructed in Fuzhou, Shaowu, Sanming, and Longyan.

The following should be done now: 1) publicize and implement the forest law in an all-round way; further fix and stabilize the rights to utilize mountain land and tend forests; establish and improve the contract responsibility system for forestry production that links output with remuneration; actively develop specialized forestry households and associations; build commercial centers for forest products; speed up the greening of barren hills, and strictly ban indiscriminate felling of trees; 2) institute a system of comprehensive operation of forestry, industry, and commerce; strengthen leadership over production, supply and marketing; and invigorate the production of forestry commodities; 3) prepare funds for developing forestry from many, many sources, including funds and loans from the central and local governments, collectives, and the masses, and funds from overseas Chinese and foreign funds; 4) continue to step up the greening projects along the Min Jiang, Jin Jiang, Jiulong Jiang, Ting Jiang, Sai Jiang, Mulanxi, and along the coast; 5) establish regulations for managing forest resources, surveying forest resources, and protecting and making comprehensive use of existing forest resources; 6) actively bring in new variety and new technology; improve consultative services for forestry science, technology, and information; and train a technical force; and 7) basically complete the construction of an industrial center for forest products in Fuzhou in order to develop the timber processing industry.

2. Animal Husbandry Base

Fujian has very good natural conditions and abundant agricultural, fishery, and sideline products. As it has rich fodder resources and 6.5 million mu of useable grassland, there is great potential for developing animal husbandry. Animal husbandry should be developed into an important industry to promote the virtuous circle of agriculture, forestry, and livestock breeding.

In developing the production of animal products, we must uphold operations of the state, the collective and the individual and actively support the development of specialized households and associations by bringing into play the enthusiasm of the masses. While promoting the breeding of pigs, it is also necessary to develop the breeding of oxen, sheep, rabbits, and other grass-eating livestock and to develop the production of poultry, eggs, and milk. Apiculture should be vigorously developed.

The following targets in building an animal husbandry base are to be achieved by the end of this century:

Livestock output value will be more than quadrupled. Total output of meat is to be increased more than 3 times that in 1980, and output of milk, poultry, and eggs is to rise more than 10 times that in 1980; the per capita use of these products will considerably increase.

By 1990 we should have a good foundation for the realization of the above strategic targets; made rational use of natural grassland, improved and built pastures and grassy slopes; made vigorous efforts to exploit fodder resources, built the fodder industry, and improved the system of fodder production, fodder research, fodder processing, and fodder marketing; established a system for breeding fine-strain livestock and poultry and for utilizing their hybrids; improved the system of preventing epidemic diseases and strengthening the prevention and treatment of livestock and poultry epidemic diseases; established and developed animal husbandry-industry-commerce joint enterprises, linking up technical services on breeding stock, fodder, marketing, processing, storing, transportation, and the prevention and treatment of epidemic diseases prior to, during, and after production, and ensuring coordinated development.

Currently, we must 1) rationally plan the distribution of animal husbandry; 2) in accordance with the nature of animal husbandry, support the establishment of specialized and joint households, and speed up specialization, production of commodity livestock, and modernization; 3) raise funds and other needed resources from all channels to establish a number of mainstay feed-processing plants and mid-size and small plants to produce mixed feed and livestock products; 4) study ways to develop and utilize Fujian's abundant feed resources, develop food production, speed up the improvement of grassland and slopeland, import and select fine grass seeds suitable for Fujian, and establish grass strains farms; 5) set up bases to produce livestock commodities along the coast and in the triangular zone of Fuzhou, Xiamen, Zhangzhou, and Quanzhou in southern Fujian so as to produce more meat, milk, poultry, and eggs for cities and industrial and mining areas and for expanding export; 6) actively import various types of fine livestock strains, improve the management of the state-operated livestock farms, set up the Puxian, Fuzhou, and Nanping dairy cattle breeding farms, actively develop production of lean meat hogs, and set up lean meat hog producing bases in Fuqing, Tongan, Putian, Sianyou, Longhai, Datian, and Fuqing, Tongan, Putian, Xinyou, Longhai, Datian, and Fuan; 7) make bigger investments in developing intellectual resources, speed up the training of proficient personnel, intensify the training of personnel needed for researching, teaching, and popularizing animal husbandry; and 8) intensify livestock quarantine to tighten control of livestock diseases and strive to control and eliminate common and recurring diseases.

3. Fishery Base

Fujian has vast water areas. The size of its fish farms equals the total land area, and there are vast areas of shallow sea, tidal land, ponds, streams, dams, lakes, and rice paddies. Aquatic resources are rich and have great potentials. Developing aquatic production in coastal counties and fresh water breeding in inland areas is an important aspect of developing the province's natural resources.

Construction of fishery bases should follow the principle of "giving first priority to breeding and supplementing it with fishing and processing in a way appropriate to local conditions." Centering on achieving better economic returns, we should maintain good ecology; protect, rationally exploit, and multiply offshore resources; develop breeding in fresh water areas as well as in shallow seas and along the coast; develop deep-sea and ocean fishing; and improve methods to preserve and process aquatic products.

By the end of this century, we should have attained the following targets in building our fishery ports:

The output value of aquatic products should be at least four times that of 1980, and the output should be at least two times that of 1980, thus bringing in more revenues as well as greater output and output value. We should also have better methods of preserving, processing, and packaging aquatic products and of utilizing the by-products so that we can increase export and the domestic supply of perishable goods.

By 1990, we should have readjusted and established a production structure made up of the vast water zones and different kinds of products and operations compatible with our resources; gradually completed the ancillary construction projects of the two state-run ocean-going fishery ports in Fuzhou and Xiamen; completed the logistic support installations in other major fishing ports, such as Shacheng, Dongao, Chongwu, and Shima, located respectively in Fuding, Pingtan, Huian, and Longhai, as well as the fishing ports located in the estuary of the Min Jiang. We should also have a deep-sea and ocean-going fishing fleet with advanced equipment, and established a fish fry and bait production and supply network. We should have expanded the sea water and fresh water breeding areas by completing a number of fishery farms steadily yielding a high output of fish, shrimps, and shellfish. Artificial multiplication of fishery resources should be conducted in major bays and rivers, and hunting-type fishery production should be gradually replaced by farming-type fishery production. We should also have established centers for producing and packaging fish meal and fish food and bases for processing kelp. On this basis, we should also have developed industries to repair fishing vessels and manufacture fishing equipment.

Currently, we should 1) improve the current fishery production responsibility systems, support fishermen in their efforts to develop shoals kept for their private use of allotted to them for cultivating shallow water aquatic products, and dig fresh water fish-breeding ponds, as many as possible if local conditions permit; 2) open aquatic products markets and encourage state fishery and aquatic

products supply and marketing departments to enthusiastically participate in market regulation to stabilize prices; 3) promote education in the aquatic products industry, step up comprehensive surveys of aquatic resources, and step up related information consultative services; introduce, develop, and popularize new varieties of products and new technology and train our own technical forces; 4) implement fishery rules and regulations to the letter, strengthen fishery management, and protect aquatic resources; 5) promote deep-sea trawling operations; 6) develop mass industrial enterprises that are specialized in preserving, processing, and comprehensive utilization of aquatic products; 7) collect foreign information on aquatic products, establish aquatic products bases, and do a good job in promoting the early stage of work of our major fishery base construction projects; and 8) tap new financial resources of the state, the collective, and the individual to support fisheries and attract foreign and overseas Chinese capital to set up joint fishery ventures.

4. Cash Crops Base

Fujian's climate is suitable for planting subtropical and tropical cash crops. The province has a great variety of such crops in abundance which are well known both domestically and internationally. We must adjust the structure of the agricultural economy and bring the economic, technical, and resources superiority into full play. We must develop production of sugarcane, fruits, tea, peanuts, tobacco, flowers, vegetables, medicinal herbs, rubber, and spices. We must improve the marketability of cash crops and increase commodity production.

The goals we should fight for in the construction of cash crop bases up to the turn of the century are:

To give full play to the superiority of our subtropical climate, reasonably adjust the distribution of crop-growing areas, and develop cash crops while not relaxing our efforts to plant food grains;

To quadruple the gross output value of cash crops, improve the unit-yield and quality of such crops, raise the multiple crop index, and develop production in depth and width by signing collective contracts with the producers; to increase the production of sugarcane, tea, and tobacco by 100 to 300 percent respectively and to boost the output value of fruits and flowers by 11 to 15 times respectively.

To achieve these strategic goals, we must do a good job in the following areas before the year 1990:

Promote production of sugarcane, fruits, tea, peanuts, tobacco, rubber, flowers, and vegetables; stress the output of sundry goods, spices, medicinal herbs, edible mushrooms, lotus seeds, and other local products that are strongly competitive in the international markets; provide the light industry and domestic and international markets with more and better agricultural and sideline products, raw materials, and special local products; balance grain production; and promote the production of cash crops.

Currently, we must 1) properly adjust the distribution of crop-growing areas and effectively use various economic means to promote the specialization and modernization of crop growing so that crops harvested will be turned into commodities; 2) improve the contractual responsibility systems which link payment to output, firmly adhere to the long-term policy of allowing peasant households to sell their products, and encourage peasants to effectively put land into full use; 3) take local conditions into consideration while mapping out development plans, properly adjust crop varieties, and establish various commodity production bases; 4) increase investment in education, step up technical training, popularize knowledge in scientific farming and management skills, study ways and means to achieve a high-yield in cash crops, and study crop processing and cold storage techniques; 5) introduce new varieties of crops, new skills, and new technology; 6) tap various financial resources, step up farmland capital construction, and improve production conditions and means of production; and 7) establish and improve the current systems of multiplication of superior seeds, set up 8 plant disease-free citrus nurseries and at least 10 state farms for cultivating fine sugarcane strains, and open up 20 collective cash crop nurseries and a number of orchards with domestic and foreign investment funds.

5. Light Industry Base

With its natural resources, excellent geographical accessibility, and industrial infrastructure, which is beginning to take shape, Fujian is particularly well endowed for the setting up of light industrial bases. Overall plans should be drawn up to give full scope to the province's advantages, to speed up its development.

By the end of this century, Fujian should have attained the following targets in building its light industrial bases:

All light industrial enterprises in the province should have caught up with the advanced national level in terms of production technology, equipment, variety, and quality of their major products, and they must have caught up with the advanced world level in some of these areas. They should be able to produce, for the domestic and foreign markets, more and better well-known local products, special products, and certain specialized technologies. The total light industrial output value should have increased 2.5 times (fan liang fan ban 5064 0357 3972 0584), of which the output value of the textile industry should have increased 3 times [fan san fan 5064 0005 3972], and that of the electronics and meter and gauge industry 5 times [fan wu fan 5064 0063 3972].

Before 1990, efforts should be concentrated on laying a good foundation, building stronger support, achieving better economic returns, improving technology, and building a light industrial structure, having a competitive edge, its own distinctive characteristics, and capable of enlivening the domestic economy and opening Fujian to the outside world. Coastal cities like Fuzhou, Xiamen, Zhangzhou, Quanzhou, and Putian should have become development centers for: 1) The food processing industry, particularly sugar refining, canned food, salt, cigarettes, and beverages; 2) production of textile goods, especially chemical fibers, knitwear, silk products, woolen products, and garments; 3) production of

industrial goods for daily use, refined chemical products, industrial goods with distinctive local characteristics, household appliances, refined ceramic wares, chemical products for daily use, photosensitive materials, plastic goods, paper, and handicrafts; 4) production of cultural equipment, specially television sets, videotape recorders, radio-cassette tape recorders, xerox machines, cameras, multifunctional electronics watches; and 5) newly developed electronics goods and mechanical-electronics industrial goods, such as microcomputers and compatible software digital meters, and gauges.

Currently, we should: 1) continue to restructure the industrial setup, remove barriers between regions and various trades and professions, organize specialized interdepartmental and interregional cooperation, and integrate trading, industrial, and agricultural operations; 2) actively disseminate the results of applied scientific and technological research; energetically adopt new technologies, equipment, materials, and technical know-how; constantly explore new spheres of production; and produce more, and better, traditional, famous, special, dominant, new, and precision commodities for domestic and foreign markets; 3) build up bases for raw material production, explore additional sources of raw materials, change the composition of raw materials, improve the bases for raw materials production for paper making, as well as bases for producing sugarcane, tobacco, tea, fruit, vegetables, and other raw materials; 4) actively utilize foreign capital, overseas Chinese capital, and self-raised capital to import advanced domestic and foreign technology, and key equipment; and then absorb, digest, and develop these technologies and equipment, improve domestic products, and transplant useful advanced foreign managerial methods to Fujian; and 5) plan rationally, and set up different types of light industrial development zones with distinctive individual characteristics by giving play to the technology of cities, raw materials in the rural areas, and the showcase functions of special zones.

6. Foreign Economic Relations Base

Fujian Province has a long history of foreign trade. With its easily accessible coastal areas, and the large number of overseas Chinese abroad, the province has adopted the strategic policy of opening to the outside world, and has taken flexible measures to develop foreign economic ties. To accelerate progress of the four modernizations, it is necessary to utilize both domestic and foreign resources, open both the domestic and foreign markets, master the techniques for domestic and foreign trade, actively utilize foreign funds and overseas Chinese capital, introduce advanced technology, vigorously expand foreign trade, and strengthen international economic and technological cooperation and technological exchanges. Viewed from the historical point of view, or from practical needs, Fujian Province must become an important base for foreign economic exchanges, and one of the modern, open, and prosperous areas to be built throughout the country, with free interflow of commodities between the cities and the countryside and between the domestic and foreign markets, and a highly developed industry and agriculture.

By the end of this century, Fujian should have attained the following targets in building its foreign economic bases:

The Xiamen Special Economic Zone, the open city of Fuzhou, and the triangular, open economic zone lying between Xiamen, Zhangzhou, and Quanzhou in Southern Fujian should have been developed into an important base for introducing advanced technology, and developing foreign economic exchanges and international financial activities. This base should become a conduit for China's technology, management, knowledge, and the policy of opening to the outside world. It should also form a network of open ports from north to south, with emphasis on Xiamen, Fuzhou, and Quanzhou. It should fully display its role in introducing advanced technology, equipment, and management expertise, in accelerating the transformation and development of traditional industries, in selectively developing a group of technology-intensive and knowledge-intensive modern industries, in striving to surpass certain world technology development standards, to shorten the gap to the world's advanced levels, and in contributing to China's modernization. Under the principle of a unified state policy of opening to the outside world, it is necessary to develop diversified and many-channeled foreign economic and trade activities. Growth in total import-export trade should exceed that of the gross output value of industry and agriculture. Total export value should have increased six fold. Foreign contract engineering projects, labor services' cooperation, as well as tourism should be actively and vigorously developed. By the end of this century, foreign exchange earnings should have quadrupled.

Currently, we must: 1) Improve planning and legislation for the Xiamen Special Economic Zone, and prefect its management system; 2) improve planning of the open city of Fuzhou (including the Mawei Economic and Technological Development Zone), and the triangular, open economic zone between Xiamen, Zhangzhou, and Quanzhou in Southern Fujian, and formulate corresponding policies and measures; 3) formulate and implement preferential measures for absorbing overseas Chinese capital and foreign funds, and actively absorb them; 4) properly map out plans for technical transformation of various industries, and introduce advanced technology, equipment, and management expertise in a planned and systematic manner, to transform the existing enterprises and improve their quality and economic benefit; 5) take a world outlook, open international markets, develop expert trade, vigorously unfold foreign contract projects and labor services' cooperation, develop tourist resources, and build tourist facilities to increase foreign exchange earnings; 6) in the light of the trade, industrial and agricultural situation, strengthen integration between industry, agriculture, technology, and trade, promote renewal of export products, improve product quality and packaging, and develop new export products; 7) lay stress on building a number of comprehensive bases for producing competitive export commodities, factories (or workshops) specializing in production of export industrial goods, and a number of production bases for cultivation of export farm and sideline products; 8) train a large number of foreign economic and trade professionals by various means, and improve the quality of the foreign economic and trade personnel; 9) set up a marketing network abroad, with strong operations, stable supply, and rapid trade information feedback; and 10) accelerate port construction in Fuzhou, Xiamen, and Meizhou Wan, open ocean going shipping routes, develop container transport, and raise the handling capacity of the various ports.

7. Science and Education Base

Modernization of science and technology holds the key to accomplishing the four modernizations, and education is the foundation of modernization in science and technology. To speed up Fujian's economic construction, we must rely on science, technology, and the development of intellectual resources, so that we can achieve our cause with it and resourcefulness. We must therefore speed up development of science, technology, and education, making them the forerunners in building the two civilizations.

Science, technology, and education must be closely integrated with production, so they can help each other advance. We must endeavor to catch up with advanced scientific research, paying special attention to new technology and popularization of science. We must increase our investment in developing intellectual resources, and work out effective programs for training construction personnel, particularly senior specialists. Provincial schools of higher learning, and scientific research institutes and centers, must be run well, fundamental education must be improved, 9-year compulsory education must be popularized, secondary education must be restructured, and vocational technical and adult education must be energetically promoted.

By the end of this century, we should have attained the following targets in building science and education bases:

At least half the province's economic growth should be attributed to scientific and technological progress. The population of scientists and technicians should increase from 1.1 percent of the total population in 1983, to 3 percent principal and urgently needed scientific and technological achievements should have reached the nation's advanced level, and achievements in certain areas should be on a par with advanced world level. Through importing and developing new technologies, the technologies of certain dominant industries should then be as advanced as those of the rest of the world.

The number of students enrolled in ordinary, full-time provincial schools of higher education should be increasing at an annual rate of 10 percent; the number of graduate students attending provincial schools of higher education should be increasing at an annual rate of 25 percent during the 1980's, and of at least 20 percent during the 1990's; and the number of students enrolling in adult college courses (including televised, spare time, and evening college courses, correspondence courses, and the Cadres' Management College) should be 8 times higher than that of 1980.

Secondary professional education should have been developed, and the number of students should have increased by 6.2 percent annually. Secondary education should have been restructured, the enrollment of vocational and technical schools and or ordinary middle schools should be at a rate of approximately seven to three.

By 1987, primary schools should have basically been popularized, and the attendance rate of school age children should have reached at least 95 percent. By 1995, junior high school education should have been basically popularized. By 1990, illiteracy, or semiilliteracy, should have been wiped out among peasants,

and young and middle-aged people, and 50 percent of them should have the proficiency of higher primary school students. We should, by sponsoring spare time junior middle school and elementary technical courses for young and middle-aged workers, have helped at least 50 percent of them attain the educational level of senior middle, or technical secondary school, helped administrators attain the level of senior high, or technical school, and help main-stay professional workers attain college-level proficiency. Schools at all levels must make sure that the personnel they train are morally, intellectually, and physically developed.

Preschool education should have been developed. By 1990, 60 percent of the preschoolers in rural areas should have enrolled in kindergarten, and 90 percent of the preschoolers in urban areas should have enrolled in kindergarten.

Currently, we should: Accelerate the drawing up of intermediate and long-range plans for Fujian's scientific and technological development, emphasizing digestion of imported technology, bringing our new concepts, and transforming our enterprises' technology. We should also gradually develop a system of popularizing advanced technology, actively promoting science and technology exchanges with foreign countries, intensifying the training of scientific and technical personnel, improving the management of science and technology, building, or improving, our scientific and technological information, computer, testing, and new technology development centers, center for promoting scientific and technological exchanges with foreign countries, software technology development center, center for the study of promoting economic and social development of scientific and technological means, and so forth. By 1990, we should have established a rationally planned scientific research system, equipped with advanced testers, having distinctive local characteristics, and compatible with Fujian's economic and social development; and we should also have established such new industries as electronics or microelectronics, biological engineering, ocean resources development, new materials, and so forth.

Expand the contingent of social science researchers, use modern means to promote the study of social sciences, establish a social sciences' information center and an economic information grid, so that an information network, linking all parts of the country and with overseas connections, will be gradually set up.

To enable our education to keep up with the needs in economic construction and social development, we must draw up a positive, practical, educational development plan, strengthen ties between schools, research organs, and society, tap the potential of old universities, and revise certain special fields of study. We should also establish new fields of specialized study to train the needed personnel, readjust the rates among graduate students, undergraduate students, and students attending professional training colleges; and improve the major disciplines of full-time institutes of higher education, so that they become the best in the country. We should, by means of televised college curriculums, actively promote higher education for adults. We should expand the contingent of teachers by training more, equipping them with new knowledge, gradually set up a radio and televised educational network, in which teaching is aided by computers and other modern educational means. While the increase in the

educational budget should be higher than that for regular revenues, we should also sponsor educational programs with funds raised through various channels; pay attention to developing intellectual resources by intellectual means; encourage factories, mines, enterprises, and government and mass organizations, as well as individuals, to sponsor educational programs, individually or collectively; and we should also encourage overseas Chinese to invest in educational projects. We should also pay attention to developing education in economically underdeveloped areas, areas inhabited by national minorities, and remote mountainous areas.

8. National Reunification Base

Fujian, the hometown of Taiwan compatriots, is separated only by a strait from Taiwan. Jinmen and Mazu used to be areas under Fujian's jurisdiction. People in Fujian and Taiwan are flesh and blood, speaking the same dialect, sharing common customs, and having close ties in the past. Such being the case, Fujian should serve as the main bridge for direct contacts between people on the mainland and those in Taiwan, Penghu, Jinmen, and Mazu, and it should actively promote work for Taiwan, and strive to achieve national reunification in the light of the "one country, two systems" concept.

To attain this objective, we must: 1) extensively educate cadres and masses on national reunification, as well as the "one country, two systems" principles and policies; strengthen their conviction for reunification, and help them understand that national reunification is the responsibility of everybody, to mobilize the resources of all departments and sectors. We must, in particular, fully mobilize the initiative of those who have a direct, or indirect, relationship with Taiwan, and encourage them to earnestly do their work. 2) We should intensify our propaganda to Taiwan, promoting an exchange of views between us and the countrymen in Taiwan, enhance mutual understanding, do away with estrangement, and enlist their efforts to achieve national reunification. 3) We should build additional facilities at Sansha Port in Xiapu, Dongao and Dongjia ports in Pingtan, Chongwu Port in Huinan, Tongling Port in Dongshan, Mawei Port in Fuzhou, Dongdu Port in Xiamen, Linhai (Qianpu) Port in Quanzhou, Xiuyu Port in Putian, Xiazai Port in Zhangpu, Xiaocheng Port in Lianjiang, and other ports, where Taiwan ships can berth and trade with us. Investment and trade companies should be set up in coastal cities to promote postal, commercial, and transportation services with Taiwan; and countrymen in Taiwan should be encouraged to invest in economic projects. 4) In addition to the reception centers in Dongshan, Huian, Pingtan, and Sansha for accommodating countrymen from Taiwan, six additional reception centers will be built in Fuzhou, Xiamen, Quanzhou, Zhangzhou, Xiuyu, and Wuyishan to serve countrymen from Taiwan who want to visit their relatives and friends, or places of interest. 5) We should promote academic, cultural, and sports contacts between people in Fujian and Taiwan, to facilitate correspondence, family reunions, and mutual understanding; and now should also provide the service of resettling countrymen from Taiwan. 6) We should implement the policies for Taiwan compatriots, people who have relatives in Taiwan, and other people who have connections with Taiwan; help them solve their problems, commend advanced personages among them, and encourage them to contribute to the four modernizations and national reunification.

The goal of building all these bases is a magnificent one, and the tasks involved are gigantic. Governments at all levels, and other departments concerned, should integrate construction of these bases with yearly economic and social development plans, as well as other intermediate and long-range plans, and earnestly implement all construction plans and the relevant measures. They should organize the people and cadres throughout Fujian to study and implement these plans and measures, understand their responsibilities, work in coordination with one another, support each other, make concerted efforts to build these bases, and contribute to making Fujian a forerunner in achieving the four modernizations.

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PROVINCIAL AFFAIRS

ZHEJIANG GOVERNOR CALLS FOR DEVELOPING COOPERATION

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[Text] In his speech to the Zhejiang Provincial Meeting on economic and technological cooperation, provincial Governor Xue Ju introduced Zhejiang Province's resources and economic situation to comrades attending the meeting and called for unfolding economic and technological cooperation in eight major areas. He pointed out: The purpose of this meeting is to open further Zhejiang Province and to consolidate and expand economic and technological cooperation with the various localities and fraternal units throughout the country, in accordance with the principle of learning from each other's strong points to offset one's weaknesses, and bringing about mutual benefits, assistance, and development. We must learn with an open mind the valuable experience of the State Council's ministries, commission, and corporations in unfolding economic and technological cooperation with the fraternal provinces, cities, and autonomous regions. We must also exchange economic information with the comrades attending the meeting, open more cooperation channels, and organize cooperation projects for discussion, in order to promote common prosperity for the cause of cooperation and economic construction.

Governor Xue Ju said: The light and textile industries and agriculture are the main bodies of Zhejiang's economic structure. The province has abundant economic crops. Rice, edible oil, tea, tangerine, mao bamboo, and aquatic products are better welcomed in economic cooperation. Its silk products, cotton, woolen and hemp textiles, chemical fiber products, paper, leather, various food items, and traditional handicrafts, as well as small hydropower equipment, steam turbines, and gear boxes enjoy a good reputation at home and abroad. With a coastline extending over 2,000 km, the province has great potential for developing marine aquiculture. With hilly land making up 70 percent of its total area, the province possesses favorable conditions for developing a diversified economy. The province has abundant nonmetallic mineral resources, particularly rich deposits of pyrophyllite, alunite, pearlite, marble, limestone, bentonite, diatomaceous earth, and kaolin which are easy to mine. With abundant manpower as a resource, a large number of craftsmen, and competent commercial and industrial personnel, Zhejiang Province can expand the export of labor services and exchange of qualified personnel. In agriculture, the province possesses the technologies for freshwater fish breeding, mulberry cultivation, silkworm breeding, paddy farming, and a diversified economy. With over 600 scenic spots and historical sites, the province offers rich tourist

resources for cooperation with fraternal provinces and cities. New tourist routes can be opened and new tourist networks can be established for common development of the tourist industry. Governor Xue Ju also pointed out: There are still many weak links in the province's economic development, particularly serious shortages of energy and raw materials, and a scarcity of coal, iron, and phosphorus deposits. Its strained communications and transportation, the enterprises' comparatively backward technology and equipment, the heavy tasks of technological transformation, and the shortage of qualified personnel for the new technological revolution and for carrying out the policy of opening to the outside world call for assistance and support from fraternal provinces and cities.

In accordance with the province's resources and economic situation, Governor Xue Ju cited the following areas for economic and technological cooperation:

- 1) Cooperate with the provinces and autonomous regions having rich resources to build coal, metallurgical, and casting and forging bases.
- 2) Open and utilize the harbors for developing joint river-ocean transportation and entreport trade.
- 3) Develop the building materials industry and build granite, marble, and cement bases.
- 4) Build ocean-going fleets for developing ocean fishery, expand marine and freshwater aquiculture, and improve processing, preservation, transportation, and packaging for aquatic products.
- 5) Develop the food industry and build raw materials and processing bases for the food industry.
- 6) Tackle crucial technological projects with regard to the joint exploitation, comprehensive utilization, and processing of nonmetallic mines.
- 7) Further develop the tourist resources, and build and expand the tourist networks.
- 8) Export technologies on light and textile industries, food processing, manufacturing of small hydropower equipment, and freshwater aquiculture, and import technologies and equipment needed by the province.

Over 1,100 cooperation projects were presented, and over 300 export technological projects were introduced at the meeting. Comrades attending the meeting can select the relevant projects for negotiations.

CSO: 4006/774

PROVINCIAL AFFAIRS

SEVEN LIAONING CITIES COORDINATE DEVELOPMENT

OW061210 Beijing XINHUA in English 1127 GMT 6 Jul 85

[Text] Shenyang, 6 Jul (XINHUA)--Seven heavy industrial cities in central Liaoning Province are coordinating development, a local official said here today.

They are the machine-building provincial capital Shenyang, the steel center Anshan, the coal center Fushun, the coal and iron city Benxi, the chemical fiber city of Liaoyang and the newly built coal city Tieling.

All are within 100 kilometers of Shenyang.

Dandong has volunteered to join the group.

Since last year, said Wang Chaoren of the cities' liaison office, 127 cooperation projects have been signed, 38 worth over 1 million yuan.

The projects are expected to raise output value by 300 million yuan and yield 50 to 60 million yuan a year in profits and taxes.

This year 105 projects in energy, iron and steel, cement, transport, tourism and personnel training are planned, he said.

The city group is one of the three largest in China. It has the country's largest iron and steel enterprise, petrochemical fiber company and thermo-power plant.

Its industrial and agricultural output value were 42.9 billion yuan in 1984, 60 percent of Liaoning's total. Industrial output was worth 36 billion yuan.

Thus, said Wang, the cities not only help Liaoning's economy but also that of the northeast China as a whole.

Previously, he said, administrative and regional barriers prevented them tapping their potentials in economy, technology, personnel and materials.

The scheme was suggested in 1982 and decided by mayors and party secretaries at a meeting in Shenyang last December.

They agreed that Benxi and Fushun should supply coal to Anshan while Anshan supplied iron and steel to Shenyang, which would provide machines for Anshan, Fushun and Benxi.

In the first half of this year, cooperation was discussed in machinery, metallurgy, light industry, textiles, building materials, transport, automobiles, foodstuffs, tourism, education, foreign trade, finance, journalism and agriculture.

Cooperation, said Wang, has improved technology and raised efficiency.

Shenyang's Bawangsi aerated water plant runs factories with Tieling and other cities. Output is expected to increase by 5.5 to 6 million liters this year. The water was drunk by Chinese athletes at the Olympic Games and dubbed "magic water" by the media.

The Haicheng farm machine factory turned losses into a profit of 50,000 yuan last year by cooperating with the Shenyang high-voltage switch plant. It expects output worth 2.5 million yuan this year.

CSO: 4006/774

PROVINCIAL AFFAIRS

JILIN GOVERNOR DISCUSSES 1985 REFORM, ECONOMIC CONSTRUCTION

SK130233 Changchun JILIN RIBAO in Chinese 27 May 85 p 1

[Text] On the economic reform and economic construction, Governor Zhao Xiu said: The year 1985 is the first year to implement the decision on reform of the economic structure issued at the 3d Plenary Session of the 12th CPC Central Committee. We should take party rectification and reform as an impetus to achieve new progress in the various undertakings of our province and to fulfill in an all-round manner the plan for national economic and social development. The general demands are a 9-percent increase in the provincial industrial and agricultural output value of 1985, of which the output value of industry should increase by 10 percent and that of agriculture by 7 percent; an 8.3-percent increase in the national income; and a 9.1-percent increase in revenue to maintain a balance between revenue and expenditure with a small surplus. We should continue to make the output value, the profit and tax, and revenue increase simultaneously, and enable the standards of people's material and cultural life to improve continuously.

We should carry out the second step of the rural economy reform in a thorough manner. We should continue to improve the household output-related contract responsibility system, reform the farm product purchasing and marketing system in an active and prudent manner, and further enliven the rural economy. We should also vigorously readjust the structure of the cropping industry, farming, and rural production.

We should energetically develop the diversified economy, and increase the proportion of forestry, animal husbandry, sideline production and fishery in the agricultural economy. In particular, we should stress animal husbandry development, and achieve ample supplies of grain, meat, and milk. We should exert efforts to handle the issues of grain transformation and processing, and the issue of increasing the value of grain. We should greatly expand township enterprises and the tertiary industry.

We should give play to the role of central cities, and do a good job in the reform of industry. The key to the entire urban economic reform lies in invigorating large and medium-sized enterprises. In order to invigorate large and medium-sized enterprises, he stressed: First, enterprises should be given all the power they are entitled to. Second, attention should be paid to the technical transformation and technology import of these enterprises.

Third, the regulatory business tax and the mandatory plans of the small number of large and medium-sized enterprises whose management is good and contributions are large but whose profits retained for their own use are small should be gradually and properly reduced. Fourth, specialized bodies should be organized to manage the energy and communications projects approved by the state. Fifth, the doors should be opened wide and preferential policies be adopted to carry out technical transformation and technology import successfully. Sixth, all localities and departments should place the focus of their work on the administration of trades, should do a good job in the overall arrangements, coordination, and supervision, and in consulting services, and help enterprises improve economic results.

Active, steady, and sure measures should be taken to carry out reforms of the wage and price systems successfully. These reforms are the two major tasks for this year's economic reform. They have a bearing on the national economy and the people's livelihood, involve thousands upon thousands of families; therefore, they should be carried out successfully. The wage reform should be conducted step by step in line with the unified arrangements of the state. Primary schools should put it into effect in January 1985, and state organs and administrative units and institutions in July this year. Industrial enterprises should gradually adopt the method of making the payroll float according to the economic results of enterprises, and put the wage reform into effect after official plans of the state are issued. In the price reform, we should follow the unified arrangements of the State Council, implement the policy which "combines relaxed control with readjustment and aims at progress in measured steps" and the principle of raising the prices of some commodities while lowering those of others, and strive to maintain a basic stability in the overall level of commodity prices. In carrying out price reform, we should conscientiously strengthen supervision and control over market commodity prices.

We should promote the reform of the planning and the circulation systems successfully. The major contents of the planning system reform are to continue to reduce mandatory plans properly and step by step and, at the same time, attach great importance to the functions of economic levers, and do a good job in coordination and regulation by fully using economic means and necessary administrative and legislative means in order to guarantee the fulfillment of state plans. The focus of the circulation system reform is to reform the purchasing and marketing system of farm and sideline products and the wholesale system. Financial and monetary work should be reformed with the focus on improving economic results and developing production.

New progress should be achieved in the reforms of science and technology and the educational system. In restructuring science and technology, we should follow the guideline of the "CPC Central Committee's Decision on Reform of the Scientific and Technological Structure," and adhere to the principle of relying on science and technology in developing economic construction and gearing science and technology to the needs of economic construction. We should actively reform the administrative and leadership system, the educational structure and teaching methods step by step in line with the CPC Central Committee's guidelines for the educational reform, and in line with the actual situation of our province.

PROVINCIAL AFFAIRS

XIZANG CONCLUDES CONSULTATIVE MEETING ON 7th 5-YEAR PLAN

HK050751 Lhasa Xizang Regional Service in Mandarin 1130 GMT 2 Jul 85

[Text] The 4-day meeting on consulting and discussing scientific and technical views on the region's Seventh 5-Year Plan concluded in Lhasa on the morning of 2 July.

In the course of meeting, authors of 19 theses gave advices on and discussed the region's direction and goal of animal husbandry, agricultural and forestry development; the development of planned construction in the urban areas; and the development of tourism. As their speeches had clear concepts, ample evidence, and many reasons, they were well received by the participating comrades.

Leading comrades of the regional CPC committee and the regional people's government, such as Wu Jinghua, Duojiecaidan, (Mao Rubai), and Hu Songjie, listened to their speeches at the meeting. (Xi Qingyu), vice chairman of the regional scientific and technological association, made a speech at the conclusion session.

He said: In the work of consulting scientific and technical views, we must act in accordance with the scientific principle of gearing science and technology to the needs of economic construction, and making the economic construction depend on science and technology. We must also gear the work to the needs of production and society, and make the work serve economic construction and provide scientific grounds for the decisions of the CPC committee and the government. At present, the focal point of the region's work of consulting scientific and technical views should be macroeconomics and comprehensive projects. From now on, in the light of economic and technological development, we must gradually develop the work in the direction of microeconomics and specific projects. We must give full play to the advantages of scientific and technological organizations as we did in the past, that is, their transregional, trans-departmental and horizontal links. We must also give play to their advantages of being intensive in terms of knowledge and qualified personnel. We should do a good job in the work of consulting scientific and technical views, so as to contribute to greater achievements in the region's economic construction.

CSO: 4006/771

PROVINCIAL AFFAIRS

JILIN GOVERNOR SPEAKS ON REFORM OF MACROECONOMY

SK130444 Changchun JILIN RIBAO in Chinese 28 May 85 p 1

[Text] In his speech on reform, Governor Zhao Xiu said: On the one hand, we should continue to emancipate the mind, and stress the work to open to the outside world and enliven the economy. On the other hand, we should strengthen management and improve systems. These two tasks promote each other.

In reforming the macroeconomy, we should have a definite goal and purpose. First, we should tap the potential of the existing enterprises. Second, we should develop our province's advantage in natural resources. In line with the actual conditions of our province, we should pay close attention to improving economic results, which is the central task, to tapping potential of the existing enterprises, to the technical transformation and technical progress of enterprises, and to the reform of enterprises. In the field of the macroeconomy, we should exercise effective control, achieve an overall balance, successfully link the immediate interest with the long-term one, and increase the reserve strength for the national economy. We should strive to make a success of the fundamental energy, communications, and geological work, which should be developed ahead of other work in national economic development. We should fully develop our underground resources, greatly strengthen geological survey and prospecting, organize forces from various quarters to develop and utilize the resources successfully, turn latent resources into wealth, and provide guarantee for the sustained, steady, and coordinated development of the economy. In the field of the microeconomy, we should work out specific demands and measures, first continue to consolidate and successfully build leading bodies, continue to carry out various fundamental work, exercise target control, and improve the various forms of the economic responsibility system. If these tasks will be fulfilled in a down-to-earth manner, we will be able to break with the two "common big pots," and to arouse the enthusiasm, initiative, and creativeness of staff members and workers. All trades and professions should conscientiously carry out their work in line with the demand for reform, opening to the outside world, and enlivening the economy.

CSO: 4006/774

PROVINCIAL AFFAIRS

GUANGDONG CRITICIZES IMPOSITION OF CHARGES ON INDIVIDUAL BUSINESSES

HK090459 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 8 Jul 85

[Text] According to NANFANG RIBAO, in some localities of the province, quite a few departments have failed to earnestly implement the report issued by the provincial industrial and commercial administrative management bureau and approved by the provincial government on halting the practice of exacting payments from individual industrial and commercial households in various ways, and have wantonly exacted high payments from individual industrial and commercial households, thus seriously hampering their normal business operations.

According to an investigation report conducted by the provincial industrial and commercial administrative management bureau on 8 cities and prefectures, at present, there are 17 departments which are still exacting 16 kinds of payments from individual and commercial households. That these departments wantonly exact payments from individual industrial and commercial households in various ways is reflected in the following:

1. They charge high fees. For example, for every [word indistinct] on a business application form for individual industrial and commercial households, the (Dachikang) township government in Doumeng District, Doumeng County, charges every applicant 30 yuan. For another example, (Dongshan) District in Guangzhou City and Shantou City charge individual traders in medicines an examination fee as high as 100 to 200 yuan.
2. They charge fees under all sorts of names. For example, the Yangjiang County Environmental Protection Bureau stipulates that each individual operator engaged in catering service and plumbing service should pay an air pollution fee of 4 yuan every month.
3. Departments charge duplicate fees. In Shenzhen City, the city environmental health office, the Heping Road office of the (Rixin) cleaning service company, the (Dongmeng) neighboring committee, and 3 other units respectively charge individual business operators in (Renmin South Road) market a health management fee. As a result of some departments wantonly exacting payments from individual industrial and commercial households in various ways, the individual industrial and commercial households have to pay more fees and some of them have been driven to stop business operations. For example, in March and April this year, some 420 individual business operators, or 26 percent of the industrial business operators in (Qingcheng) town of Qingyuan County, were driven to wind up their business.

HEILONGJIANG'S LI LIAN INSPECTS DAXINGANLING FOREST ZONE

SK040516 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 3 Jul 85

[Text] On 3 July, arriving at Daxinganling Prefecture to carry out investigation and studies and conduct guidance over work were Li Lian, secretary of the provincial CPC committee; Chen Yunlin, Liu Chengguo, and Zhou Wenhua, deputy secretaries of the provincial CPC committee; Wang Yusheng, Wang Yaochen, Zhu Dianming, Bai Jingfu, Li He, and Huang Feng, Standing Committee members of the provincial CPC committee; and Wang Lianzheng, and Liu Zhongli, vice governors of the province.

During their stay in Jagdaqi, the leading comrades of the provincial CPC committee and the provincial people's government heard a briefing given by (Ke Xinya), commissioner of the prefectural administrative office and director of the Forest Administration Bureau.

During the briefing, Li Lian delivered a speech in which he pointed out: We should have deep understanding of Daxinganling Prefecture, a rich place of great importance where much can be accomplished. Through investigation and studies, we should sum up the work experience gained in the past in order to grasp the characteristics of the prefecture and to overcome difficulties and push forward the prefecture's economy. Meanwhile, the prefecture should exert efforts to develop a commodity economy, to properly readjust the proportion of commodity production, and to make great progress in developing this economy. The prefecture should arouse the people to rack their brains to open more production avenues, to adopt multiple forms, to conduct comprehensive consolidation, and to achieve overall development in order to create their own ways of production.

On the afternoon of 3 July, the leading comrades of the provincial CPC committee and the provincial people's government rode in a helicopter to get a bird's eye view of the forest zone of northern Daxinganling. Then, they went to Jixi City.

CSO: 4006/771

PROVINCIAL AFFAIRS

FREE-SALE APARTMENTS SELL WELL IN ZHEJIANG

OW060756 Beijing XINHUA in English 0645 GMT 6 Jul 85

[Text] Hangzhou, 6 July (XINHUA)--A total of 226 households bought new apartments in the first 6 months of this year in Zhejiang Province, a spokesman for the provincial Building Bureau said here today.

To date, 4,492 households have bought 234,900 square meters of flats since that province began to experiment with a free-sale apartment policy in 1981.

Unlike the countryside, where most houses are owned privately, 82 percent of urban houses in China are owned by the state, which collects a very low rent from the tenants. Those who want houses must apply to the units in which they work.

Experiments are being made in Zhejiang's five cities and two counties which ask the purchasers to pay two-thirds, half or one-third of the building costs, the rest is covered by the state.

This means that they pay somewhere from 130 to 260 yuan per square meter. The flats so bought are inheritable and can be resold or donated to others.

Wenzhou City, one of the 14 coastal cities opened wider to foreign investment, has built 60,000 square meters of free-sale flats for 1,379 households in the last 4 years.

Some 50,000 square meters of flats are still under construction in the city.

The new policy has helped raise the per-capita living space from 5.1 square meters in 1979 to 6.82 square meters now in the province's urban areas, the spokesman said.

According to statistics in 32 counties, 6,200 households are on the waiting list.

The province plans to build 1.3 million square meters of free-sale flats this year, of which 400,000 square meters will be completed by the end of this year, 2.3 times the 1984 figure.

PROVINCIAL AFFAIRS

GUANGDONG CPC STANDING COMMITTEE MEMBER WRITES ON MOUNTAINOUS AREAS

HK101018 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 7 Jul 85

[Text] Ling Botang, member of the Provincial CPC Standing Committee, wrote an article in issue No 7 of KAIFANG magazine which will be published tomorrow, pointing out: It is necessary to put the work of speeding up the economic development in the mountainous areas in an important position.

In his article, Ling Botang reviewed the process of the economic development in the mountainous areas in our province. He said: Since the 3d Plenary Session of the 11th CPC Central Committee, particularly since the implementation of four documents No 1 of the central authorities and the policies on mountainous areas, the economy in the mountainous areas has improved. Not only the problems of clothing and food have been solved but people's livelihoods have initially improved. The vicious cycle of regarding grain as the key link and damaging forests has also ceased. The mountainous areas have made a gratifying step forward. However, the mountainous areas are like a patient who has just been discharged from a hospital and who has just recovered from a serious illness. The speed of their development still cannot reach the average of the province.

Ling Botang held that the current key to speeding up the economic development in the mountainous areas lies in looking reality in the face, being good at summing up experiences, further emancipating the mind, and implementing policies. Giving economic assistance and preferential treatment in policy and lightening burdens is an important and strategically significant measure to speed up the economic development in the mountainous areas. He pointed out that some places have not yet implemented the series of policies which the central authorities and the provincial CPC committee have formulated over the past few years very well. The outlook there has not changed much. Therefore, it is an urgent matter of the work of the mountainous areas to implement the party policies one by one.

In dealing with how to strengthen the economic development in the mountainous areas, Ling Botang held that giving full play to the might of the flexible measures of the special policies, developing economic relations among enterprises and regions, and vigorously developing the export-oriented economy is the orientation of the work of the mountainous areas in our province. Party and government leaders at all levels in the mountainous areas must have

initiative and must remove their ideological obstacle of the so-called fear of acting as a colony, ideological obstacle of importing and carrying out cooperation without taking comprehensive economic results into account, and ideological obstacle of being unwilling to adopt more preferential policies.

Ling Botang also pointed out that a severe shortage of qualified personnel is a very prominent weak link of the economic development in the mountainous areas. The mountainous areas must absorb and employ qualified personnel in a flexible and varied form and must speed up the development of intellectual resources. He demanded: The economically developed places and departments concerned must not absorb qualified personnel from the mountainous areas and must support the mountainous areas in stopping other places which want to absorb qualified personnel from the mountainous areas.

CSO: 4006/771

PROVINCIAL AFFAIRS

BRIEFS

SICHUAN READJUSTS LEADERSHIP GROUPS--In order to implement the CPC Central Committee decision on reform of the economic structure and meet the needs of invigorating the enterprises, the readjustment of the leadership groups of 150 large and medium backbone enterprises in Sichuan had been completed by the end of June. The readjusted leadership groups show a notable improvement in quality. An echelon-style age structure has initially formed there. The new groups consist of a total of 882 persons, whose average age is 43.5, and 28.8 percent of them are aged under 40. Of these members, 75.2 percent have tertiary education, and 7 percent have secondary technical education and have also gained professional and technical titles above that level. [Excerpts] [Chengdu Sichuan Provincial Service in Mandarin 1030 GMT 3 Jul 85]

ZHEJIANG GOVERNOR MEETS SCIENTISTS--A forum on strategies for the economic, scientific, and technological development of Zhejiang ended on the afternoon of 29 June. Wu Minda, deputy secretary of the provincial party committee and vice governor, made a summarizing speech. Cui Jian, vice chairman of the provincial advisory commission, spoke at the meeting. The first provincewide discussion meeting on Zhejiang's economic, scientific, and technological development, the forum was attended by over 200 experts in economics, science, technology, and education, leading comrades engaged in practical work in these fields in various localities, and representatives from the Shanghai Economic Zone and SHIJIE JIANGJI DAobao [WORLD ECONOMY GUIDE]. During the forum, Governor Xue Ju and Vice Governor Shen Zulun heard suggestions from forum participants. In his speech, Wu Minda said: The forum marks a good beginning for studying and mapping out strategies for our province's economic, scientific, and technological development. After returning from the meeting, leaders at various levels should closely study the strategies, go all out to offer consultancy, and extensively solicit opinions from various quarters, to revise and formulate sound strategies for developing the economy, science, and technology of our province. [Excerpts][Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 29 Jun 85]

HUBEI CITY FOOD DEPARTMENTS--After the adoption of relaxed policies on the purchase and sale of pigs, food departments in Shashi City have actively taken part in market regulation. Meat selling points have been increased from 14 to 44 in the city. The sales volume of pork has increased from 5,000 jin before the adoption of the relaxed policies to more than 10,000 now. The departments made a profit in June for the first time over the past 30-odd years. Provincial CPC Committee Secretary Guan Guangfu highly praised this method, saying that it deserves promotion. [Excerpt] [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 14 Jul 85]

CSO: 4006/774

ECONOMIC PLANNING

XIAN ECONOMIC DEVELOPMENT STRATEGY SEMINAR OPENS

HK290533 Xian Shaanxi Provincial Service in Mandarin 0500 GMT 29 Jun 85

[Excerpts] A seminar on the strategy for Xian's economic development and on structural reform opened in Xian yesterday. The seminar is jointly sponsored by the City Economic Studies Center and the SHIJIE JINGJI DAOBAO. It will systematically study the city's economic development strategy for the last 15 years of the century and the current economic structural reform and initially probe problems raised in the current reform.

Li Qingwei, Zhang Bin, (Zhang Boxin), (Ren Zhengzhong), (Fu Jide), and (Zhao Yuhua), responsible comrades of the province and city, attended the opening of the meeting.

Vice Governor Zhang Bin made a speech. He said: Xian is an ancient city of culture known all over the world. It is the political, economic, and cultural center of the province and is also a major city in the northwest. The invigoration and prosperity of Xian is not only important for the city itself but is also decisive for the economic development of the whole province, and will also have an impact on opening up the Great Northwest.

Comrade Zhang Bin said: To further step up the pace of economic construction in Shaanxi, we must fully understand the strategic position of Xian and truly bring the city's superior features and role into play. Now that experts, scholars, and responsible comrades of various sectors have come here, we sincerely hope that they will together probe the question of how to develop Xian.

CSO: 4006/752

AGGREGATE ECONOMIC DATA

CHONGQING CITY REPORTS ECONOMIC PROGRESS

HK060643 Chengdu Sichuan Provincial Service in Mandarin 1030 GMT 5 Jul 85

[Excerpts] A new situation of sustained, steady, and coordinated economic development has emerged in Chongqing City. The city overfulfilled the plans for total industrial output value and financial revenue for the first half of the year. According to statistics, industrial output value was 6.68 billion yuan, while financial revenue exceeded 800 million yuan. These were big increases over the same period last year.

During the first half of the year the city centered its work on improving economic results, thereby stimulating healthy development of the city's economy. The main expressions of this were as follows:

1. The city grasped circulation and stimulated sales. The city has gradually formed a multichannel open-style commodity circulation system with [words indistinct]. This has brought about an all-round turn for the better in the city's production and market sales.
2. The city has grasped technical transformation and importation and promoted the development of new products and the readjustment of the product mix. The imported projects produced a total output value of 300 million yuan in the first half of the year. Output of many of the products put into production after the new projects have gone into operation, such as new-style motorcycles and small autos, is unable to meet market demand.

CSO: 4006/771

ECONOMIC MANAGEMENT

PRC JOURNAL ON MEASURES TO INVIGORATE ENTERPRISES

HK121251 Guangzhou KAIFANG in Chinese No 6, 8 Jun 85 pp 7-9

[Article by Kuang Ji [0562 0679]: "Persist in Carrying Out Reform and Adopt Practical Measures To Invigorate Enterprises"]

[Text] The decision of the 3d Plenary Session of the 12th CPC Central Committee pointed out: "Socialism with Chinese characteristics should, first and foremost, be able to instill vitality into the enterprises." "The key to restructuring the national economy, with the focus on the urban economy, is invigoration of enterprises, particularly the large and medium-sized enterprises owned by the whole people." Guangdong carried out reform of the economic structure aimed at invigorating enterprises quite a long time ago. Since Qingyuan County reformed the system of distribution on a trial basis in the winter of 1978, Guangdong has conducted reform of the industrial management system, instituted various economic responsibility systems, and expanded the decisionmaking power of enterprises. These practices and explorations have played an important role in invigorating enterprises. A number of enterprises with genuine decision-making power, flexible production and management, and better economic results have emerged in various cities, prefectures, trades, and professions. According to the statistics from 720 enterprises in Shantou, Shaoguan, Jiangmen, and Zhaoqing Cities and Huiyang Prefecture, the enterprises which have genuinely been invigorated account for 45 percent while the enterprises which are mediocre or which have not been invigorated account for 55 percent. Nineteen eighty-five is a year of reform. We should pay close attention to invigorating enterprises, which serves as a central link, spur on the all-round reform of the economic structure as a whole, and open up a new situation in the attainment of better economic results. To achieve the above-mentioned objectives, we should make strenuous efforts in the following ways.

First, it is necessary to gain an ample understanding of the importance of invigorating enterprises from the high theoretical plane of developing the social productive forces and commodity production. Comrade Deng Xiaoping pointed out that a fundamental task of socialism is to develop the social productive forces. Thanks to social progress and the development of science and technology, the basic unit of productive forces has developed from

individual laborers or households in the past to production enterprises organized according to certain aims and technologies. Production enterprises have become the basic unit of the modern productive forces, cells forming the economic organism of the whole society, and something that comprehensively reflects the modern productive forces. They have collected not only various means of production reflecting modern science and technology but also a number of accomplished scientists, technicians, managerial personnel, and workers. They are organisms organized according to mass socialized production and division of labor and in line with certain patterns of scientific management organization. Whether or not the social productive forces can rapidly develop is determined by the production enterprises serving as cells. To develop the social productive forces and to vitalize the economic organisms of the whole society, it is necessary to invigorate the enterprises, particularly the production enterprises.

Ample development of commodity production and the commodity economy is crucial to the development of the social productive forces. Over a long period of time we failed to recognize that the socialist economy is a planned commodity economy and therefore, we failed to recognize that enterprises are commodity producers and we regarded them merely as the subsidiary bodies of administrative organs and as the beads of an abacus that can be manipulated at will. At the same time, we implemented a series of systems of rigid control toward enterprises, such as unified financial revenues and expenditures, unified purchase and sale of products, and unified arrangement of production plans, material distribution, and staff recruitment. Under the rigid economic pattern, the enterprises lacked vitality, the social productive forces failed to develop properly, and the superiority of the socialist system could not be brought into play. The 3d Plenary Session of the 12th CPC Central Committee has made a major theoretical breakthrough by recognizing that socialism is a planned commodity economy, stipulating the status and power of enterprises, and defining them as relatively independent commodity producers and operators and as economic entities with independent operation, sole responsibility for profits or losses, and the ability to transform and develop themselves.

A correct theory is a guide to correct actions. The change of an ideological concept is the precursor of the reform of the economic structure. China's economic structure is undergoing a transformation from an old to a new pattern. We must understand that invigorating enterprises is necessary for developing the social productive forces, commodity production, and the commodity economy and for bringing into play the superiority of the socialist system. In present society, whether or not a country can make rapid progress and whether or not the productive forces can rapidly develop depend, in the final analysis, on whether or not the enterprises have vitality. If the vast numbers of enterprises, which serve as economic cells, do not have vitality, the economy as a whole will gradually lose its vigor and vitality. It is hoped that leaders at all levels and the comrades in various departments throughout the province will gain an ample understanding of the great significance of invigorating enterprises and regard invigoration of enterprises as a starting point and an underlying objective in carrying out various reforms.

Second, it is necessary to genuinely transfer power to enterprises. Since an enterprise is a relatively independent commodity producer and operator, it should have corresponding power to organize production and to operate according to complicated and changeable market demand and hold itself responsible to the market, consumers, and society as a whole. Only when an enterprise has decisionmaking power in operation and management can it develop production, attain better economic results, and increase social wealth. In May 1984, in an effort to invigorate, or to instill vitality into, enterprises, the State Council promulgated the "Provisional Regulations on Further Expanding the Decisionmaking Power of State-owned Industrial Enterprises." Last February it again promulgated the "Provisional Regulations on Some Policies for Promoting Technological Progress in State-owned Enterprises." At the national economic work conference, it again laid down 10 policy measures to invigorate large and medium-sized enterprises. In September 1984 the provincial government also introduced 10 measures to invigorate enterprises. All these have created a favorable basic condition for invigoration of enterprises. If we had resolutely acted according to these policies or measures, our enterprises would have been in a strong position to invigorate the economy and to improve the economic results. However, the transfer of power has not been thoroughly implemented in many enterprises. Here, there are problems of comprehension and work, as well as objective and subjective factors. As far as the authorities at the upper levels are concerned, the departments concerned still exercise excessive and rigid control over the enterprises. The administrative companies at the intermediate level, in particular, ask for power from the higher authorities but collect power, money, and products from the enterprises, thus intercepting the power that should have been transferred to the enterprises. And some enterprises are so accustomed to a life of "slavery" at the mercy of others that, considering it safer to engage in the practice of "eating from the same big pot" in the relations of the enterprises to the state, they are unwilling to take the risk of independent operation. Although the policies have been laid down and the power has been transferred to them, they dare not apply these policies or exercise the power. Nor do they know what to do with them. It is necessary for the government at all levels to organize the departments concerned to compare and examine the enterprises one by one according to the policies or stipulations of the State Council and the provincial government and proposed specific methods to solve the outstanding problems, thus implementing these policies on the enterprises one by one. The task of genuinely and comprehensively implementing the policies and stipulations on invigoration of enterprises is still a very arduous one and it is necessary to continue grasping this issue as the focal point of various reforms this year. Those enterprises which carry out this work well will surely win the initiative because this is a fundamental measure for invigorating enterprises and the economy.

Third, technological transformation of enterprises should not be relaxed. In addition to correct ideological lines, policies, and measures, material conditions are also important to invigoration of enterprises. In recent years, some 60 percent of the industrial enterprises throughout the province have carried out technological transformation to varying degrees. We can now produce numerous commodities which were wholly imported before. At the same time, we have also had a number of first products which are highly competitive on the domestic market. These are the results of importing technology and transforming

existing enterprises. However, the task of technologically transforming enterprises remains arduous. Many of the production lines we have imported are only assembly lines. We have not laid a solid foundation for the manufacture of some products because we cannot supply all the components domestically but have to rely on imports for the supply of most components. In order to change this state of affairs as quickly as possible and to adapt ourselves to fierce competition on the domestic and foreign markets and to the challenge of the world's new technological revolution, our principle of technological transformation in the future should be concentrated on forming complete sets. 1) We should form complete sets according to working procedure. Regarding the production lines fitted only with the second half of working procedure, we should create conditions to import the first half of working procedure so as to gradually form a comprehensive production capability and to raise the level of supplying complete sets of products. 2) We should supply complete sets of products and carry out technological transformation with the stress on products, particularly the first products which are highly competitive on the domestic market. 3) We should form complete sets of serial products according to different environments, such as offices, meeting rooms, bedrooms, and toilets. So long as we succeed in supplying complete sets of products, we can build up Guangdong's industry with its characteristics and superiorities.

With the state tightening money supply and strengthening foreign exchange management, the province, cities, prefectures, counties, and enterprises should, as Xinhui County has done, make clear the guiding thinking, straighten out the orientation, concentrate their limited foreign exchange and funds on technological imports and transformation, build a good foundation for production enterprises, and increase the staying power of economic development. The funds set aside for technological transformation this year should, first and foremost, be used in the ongoing projects approved by the state and the provincial authorities, particularly those nearing completion, to ensure that they can go into production this year and yield results. Prompt arrangements should be made to set aside funds for those imported projects for which contracts have been signed. New arrangements should be made for those projects for which contracts have not been signed. Only when the sources of foreign exchange and the necessary funds in renminbi have been assured should the contracts for these projects be signed. New projects should be stopped for the time being. Provided that all people reach a common understanding and make concerted efforts, we shall still be able to attain satisfactory results in technological imports and transformation this year.

Fourth, it is necessary to invigorate enterprises engaging in export commodity production. Guangdong is one of China's export bases. Since the implementation of special policies and flexible measures, great changes have taken place in the outlook of production enterprises. A number of enterprises are in a position to sell their products on the international market. However, like a big mountain, the existing foreign trade structure has separated the production enterprises from the international market. The result is that the enterprise producing export commodities have little understanding of the international market and, being ill-informed, are not in a position to constantly adjust

their product mix and to change their design patterns according to changes on the international market, thus falling into a very passive position in the course of fierce competition. Since 1981, 28 integrated industry-trading enterprises (corporations) in our province have conducted experiments in direct foreign trade and have attained remarkable economic results. We should adhere to the orientation of reforming the foreign trade structure, bring into full play the superiority of our province in foreign trade, expand the experiments in direct foreign trade, strive to set up this year 100 enterprises which integrate industry with trade, gradually turn a number of enterprises into export-orientated ones, and make great efforts to export more commodities and to earn more foreign exchange.

The production enterprises engaging in direct foreign trade should be provided with the necessary qualifications and assume responsibilities. For example, the enterprises (corporations) should not only be economic entities carrying out independent accounting, assuming sole responsibility for profits or losses, and separating government from enterprise functions but should primarily be production enterprises; they should have fixed and readily marketable export products and channels to foreign markets and undertake and fulfill the export plans and the foreign exchange earnings quotas assigned by the state; they are responsible for the collection of drawbacks and are subjected to quotas; they should have a definite scope of operation and regulations governing their operation; they are allowed to export only their own products and to import materials needed by their own enterprises; and they should be provided with leading bodies capable of carrying out economic and trade activities with foreign countries, as well as some professionals who understand the work, policies, and stipulations relating to foreign trade. It is necessary to transfer power to the enterprises (corporations) conducting experiments so that, in their foreign trade activities, they have the authority to hold talks and to conclude business transactions within the scope of their operation, to import and export commodities, and to go abroad to conduct investigation and inspection and to promote the sales of their products. Foreign exchange sharing should be carried out according to the stipulations of the State Council and the provincial government. If a production enterprise needs imported materials and components for processing into export products, it should first deduct the cost of the imported materials from the net foreign exchange earnings from the export of that product and then share the balance according to the stipulations. After unified inspection by the foreign exchange management bureau, the foreign exchange reserved for enterprises should be turned over to the enterprises concerned for their own use. The city or county authorities can make overall arrangements for or adjust the use of the foreign exchange which has not been used up by the enterprises but its ownership remains unchanged. The foreign trade and industrial departments should coordinate with and support each other and conscientiously make a success of the industry-trading integrated enterprises (corporations).

Fifth, we should turn our eyes toward internal matters and make a success of reforms within the enterprises. It is necessary to speed up the implementation of the director responsibility system. Reorganizing and setting up leading bodies which are bold in carrying out pioneering work is the key to invigorating enterprises. Implementation of the director (manager) responsibility system

constitutes a major reform in the leading system of enterprises. To make a success of the director responsibility system, it is first necessary to choose good directors. A director should not only have a good grasp of technical and professional knowledge but, what is more important, know operation and management, have a sense of commodity production, and be imbued with a strong competitive spirit. He should not only have the necessary record of formal schooling but, what is more important, have pioneering spirit, practical ability, and high political quality. The departments concerned should respect the functions and powers of directors, including the power of directors in choosing their assistants. We should pay attention to the composition of the enterprise leading bodies. There should not only be engineers and technicians but, what is more important, people with operation and management expertise and cadres who know how to manage production and logistics work. At present we should pay particular attention to solving the problem of enterprises lacking managerial personnel. The leading bodies of enterprises should be relatively stable so that all members can temper themselves at their posts and develop their abilities. With the enterprises, further efforts should be made to institute and perfect various forms of the economic responsibility system, to conscientiously check the practice of "eating from the same big pot" prevailing in the relations of the workers and staff members to their enterprises, to overcome the practice of egalitarianism in distribution, to adhere to distribution according to work, to arouse the initiative of workers and staff members to a maximum degree, and to tap the internal potential of enterprises. All enterprises should be transformed in such a way that they pay attention not only to production but also to business and development. They should straighten out their business thinking and, by relying on their own efforts, develop production, improve product quality, reduce consumption, constantly improve economic results, and make the enterprises more and more vigorous.

CSO: 4006/764

ECONOMIC MANAGEMENT

JINGJI RIBAO ON NEW COOPERATIVE SYSTEM

HK110945 Beijing JINGJI RIBAO in Chinese 27 Jun 85 p 3

[Article by Wang Yiju [3769 0122 5282] and Ruan Shifeng [7086 1102 1496]: "The New Cooperative System in Development"]

[Text] Many new economic undertakings and new economic cooperative organizations have emerged in recent years in many places in China, in particular the rural areas. We hold that they belong to a new cooperative system. Here, we should like to discuss its general significance.

The cooperative system first appeared in capitalist society. It was an economic organization founded by workers and small producers under the conditions of the commodity economy by means of pooling funds in shares on a voluntary basis, to counter the exploitation and oppression of mass capital and to seek independent existence and development. Based on the development of the workers' cooperatives and cooperative organizations during the period of the First International, Marx pointed out that the cooperative organizations had proved the capability of the workers in establishing a new economic system. In the third volume of "Das Kapital," Marx said, the workers' cooperative organization is a "new mode of production" emerging in the capitalist society. ("Complete Works of Marx and Engels" Vol 25, p 498) However, Marx did not separate the cooperative system from the whole social system while discussing the significance of the cooperative system. He resolutely opposed the attempts of unionism and Proudhonism to guide the workers toward reformism and to separate them from the political struggle. He pointed out that it was necessary to conduct "all-round social reform," and it was necessary to "place the state power of the capitalists and landlords into the hands of the producers themselves." ("Complete Works of Marx and Engels" Vol 16, p 219)

The social reform and revolution in the state power mentioned by Marx have already been realized in China. The cooperative system emerging in China at present has in many respects found expression in the economic organizations founded by workers and small producers on a voluntary basis by means of pooling funds through shares, which are important means of developing commodity production, organizing commodity exchange, and gathering society's funds. It has already become a basic form of socialist public ownership as an economic organization which belongs to the socialist mode of production. Its role and significance are different from the cooperative system under the capitalist system. And it is in this sense that we call it the new cooperative system.

Again, the cooperative system we refer to is somewhat different from the collective ownership appearing shortly after the cooperative movement in the 1950's. The cooperative system is often regarded as collective economy; and collective ownership, as cooperative economy. This is allowed under general circumstances. However, we should not regard collective ownership as having the same form of public ownership as the new cooperative system. This is because:

1. The new cooperative system is the outcome to the development of the socialist commodity economy, while collective ownership is the outcome of the cooperative movement for small-scale private owners under the socialist system, which is not necessarily linked to the development of socialist commodity production.
2. The new cooperative system is formed on a voluntary basis by various parties possessing the required factors of production and commodity economic activities. These factors include funds, skills, production sites, equipment, information, labor force, and other requirements for circulation, supply, and marketing. The party possessing these factors can be an individual, a collective or a unit. Therefore, the cooperative organizations can transcend the boundaries of ownership forms, administrative areas, and trades; for example, such cooperative organizations as worker-peasant unions, peasant-trader unions, and worker-peasant-trader unions; while collective ownership is organized basically on a basis of the administrative area (production team, production brigade, and commune) or people in the same trade. There is little possibility for choice of factors in the free union between people.
3. An ownership relationship exists for the participant of the new cooperative system regarding the factors he has put in, which can be withdrawn, inherited and transferred, and the participant concerned has a share in the management results. While the participant of collective ownership has lost the owner relationship of the factors he has put in through redemption, compensation, or severed payment for dividends and bonuses.
4. The new cooperative organizations are not under the control of any state administrative departments, but under the control and guidance of the state policies, laws, and economic levers. They enjoy all the privileges entitled to any other independent economic body. While collective ownership units are under the control of layers of responsible departments, and often experience administrative interference.
5. The possession form of the new cooperative system is open to society. Anyone, or any unit can put factors into a certain cooperative organization and join it on a voluntary basis. While the extension and development of a collective ownership unit basically relies on its own accumulation, or the merger of several collective ownership units under the same responsible unit based on an administrative order.
6. The participants of the new cooperative system are basically the managers and producers of a cooperative organization; however, it does not reject those who only contribute factors of production means to the possession relationship in joining the cooperative organization. While under collective ownership, production means are possessed by the collective, and participants of the collective system must be its managers or producers.

From the differences mentioned above, we can say that the new cooperative system is not one of collective ownership, nor is it a layer of collective ownership. We should regard the new cooperative system as a basic form of socialist public ownership in the same category as ownership of the whole people and collective ownership.

In the initial stage shortly after the founding of the PRC, it was in conformity with the actual historical conditions to lay stress on building collective ownership. At that time, we were facing two very important economic tasks: To rapidly build public ownership and to rapidly build our industrial system. The cooperative movement then eventually developed into the universal establishment of collective ownership, which was favorable to fulfilling the two major objectives.

However, when the industrial system has basically taken shape, and when industry has formed into a powerful productive force, the major task confronting us is to develop the socialist commodity economy. When the commodity economy has become comparatively developed, new cooperative organizations closely linked to the commodity economy appear in abundance, which conforms to the present stage of China's economic development.

The emergence of the new cooperative system in China gives expression to the fact that the development of socialist public ownership has already broken through our fixed theoretical pattern. The development of socialist public ownership not only finds expression in the consolidation and perfection of the ownership of the whole people and collective ownership, but also the birth of a new form of public ownership. The emergence of the new cooperative system also demonstrates that it is not the final form of socialist public ownership.

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ECONOMIC MANAGEMENT

PRC FORUM DISCUSSES FINANCIAL SYSTEM REFORM

HK110501 Beijing GUANGMING RIBAO in Chinese 29 Jun 85 p 3

["Excerpts" from speeches at Seventh National Forum on Financial Theories: "Make Further Efforts To Do a Good Job in Reforming the Financial System"]

[Text] The participants in the forum held that great progress has been made in the reform of the financial system over the past few years, which has played a rather important role in implementing the principles of readjusting, restructuring, consolidating, and improving, and invigorating the domestic economy and opening up to the outside world. However, the existing financial system is still not complete and perfect, and the chief problems are: The unified control of the state over revenues has been broken through, but the overall responsibility of the state for expenditures has not entirely been broken through; the budget system at different levels has not been set up; the system of enterprises assuming sole responsibility for their profits or losses has not been genuinely set up; financial allocation and the sphere of management are still chiefly confined in the budget, while necessary control and regulation of extrabudgetary funds have not been carried out. This requires a better job in the reform of the financial system.

According to the spirit of the "Decision," the participants of the forum made many constructive proposals on how to do a better job in the reform of the financial system in line with the new conditions and problems emerging in the present financial and economic work. They are:

1. It is necessary to set up a genuine budget system at different levels and the key lies in drawing a distinction between revenues at the central level and local revenues. How to accomplish this? There are two different views in the discussion. One holds that a distinction must be made between central and local revenues based on the different categories of taxation, and that the spheres of central and local expenditures be determined. Financial revenues should be classified as taxes going to the central level, taxes to be shared by both central and local levels, and taxes going to the local levels. When the revenues of the central level are increased, and when the local revenues fail to cover the stipulated expenditures, the central level should allocate the local levels a fixed amount of allowances, on condition that the central taxation bureau must be separate from local taxation bureaus. Another view holds that it is necessary to fix a proportion for tax revenues, namely, when the local tax

revenues and the tax revenues to be shared between central and local levels fail to cover local expenditures, the taxes going to the central level should be divided proportionately between the central and local levels. However, some comrades pointed out that the defect of the latter proposal lies in confusing the system with allocation proportion, and the determination of the system will become the determination of the proportion. Besides, it will be very difficult for the central administration to conduct regulation, which is unfavorable to macroscopic control.

2. It is necessary to further break up the situation of the overall responsibility of the state for all expenditures. The views are summed up as follows:

1) It is necessary to set up a social security system as quickly as possible, the expenditures for the pensions of retired workers and staff members and medicare for workers and staff members should be solved by means of unified planning and by operating all categories of specific insurance; 2) an overall reform should be conducted in the expenditures in capital construction by substituting loans for financial allocation, and a reform of substituting floating capital for financial allocation to other expenditures of economic construction should also be gradually carried out based on the maturity of the conditions; and 3) institutions possessing conditions should provide for their own finances in meeting the needs of the reform of the science and technology system and the education system.

3. It is necessary to perfect and complete the system of substituting tax for profits handed over to the state and the system of enterprises assuming sole responsibility for their profits and losses. In their discussion on further completing and perfecting the second step in the reform of the system of substituting tax for profits handed over to the state and the implementation of the third step of this reform, the participants of the forum focused on what kind of taxation system or pattern should be set up. Some comrades proposed the establishment of a taxation system or pattern with income tax (namely direct tax) as the main body; others proposed making a natural resources tax the main body, with the coexistence of a natural resources tax and income tax as the taxation system or pattern. The majority held that the taxation system with income tax as the main body would fail to meet the demand of the conscious application of the law of value under the condition of socialist planned commodity economy in China. In order to consciously apply the law of value, it is necessary to make use of such categories of taxes as product tax and increment tax to regulate production and consumption and to ensure financial revenues in coordination with the price policy. Also, because of the difference in the conditions of natural resources and technical equipment between various industrial and mining enterprises, it is also necessary to conduct regulation by means of the tax lever. Therefore, it is inappropriate to stress a certain category of tax as the main body, and a taxation system should be set up which treats circulation tax and income tax equal importance, with various categories of taxes to be levied on many occasions and regulated with many links, which is suitable to the national conditions of China. This is determined by the multilayered productive forces and production relations, and diversified economic forms and managerial modes.

The participants in the forum also explored how to complete and perfect the system of enterprises assuming sole responsibility for their profits and losses while discussing how to do a better job in the reform of the taxation system. Many comrades held that the third step of the reform of substituting tax for profits handed over to the state should aim at completing and perfecting the system of enterprises assuming sole responsibility for their profits and losses, and organically linking tax regulation with financial regulation. Some comrades pointed out that it is also a means of regulation to require the enterprises to provide themselves with some floating capital and to pay back intermediate and short-term loans for equipment after the enterprises have paid their taxes. This is favorable to promoting the link between responsibility, power, and benefit in the enterprises and the banks. Still other comrades pointed out that the practice of extending the sphere of expenditures of funds in possession of the enterprises, and letting them take care of their own finance will also help them to reduce financial expenditures, thus playing the role of regulating the levels of investment, bonuses, and welfare in the enterprise.

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ECONOMIC MANAGEMENT

GUANGMING RIBAO VIEWS ECONOMY OF OPEN CITIES, ECONOMIC ZONES

HK101547 Beijing GUANGMING RIBAO in Chinese 29 Jun 85 p 3

["Excerpts" from speeches at the Seventh national forum on financial theories:
"The Finances and Economics of Coastal Open Cities and Special Economic Zones"]

[Text] In view of the problems that have developed in the course of opening to the outside and which need to be settled, the comrades participating in the forum proposed the following suggestions:

First, we must strengthen planning. The comrades held that we must plan in a centralized and farsighted way when opening to the outside and importing, for this plays an important part in the strategic decisions of China. Therefore, when importing a project, we must consider the supply of raw materials, the market, the capital available in China, the capability of and time allowed for repaying loans, the imported matter, the relations involved in the importation and the economic structure in terms of rationalization. When making specific arrangements, we must conduct feasibility studies in order to promote economic results and progress in China's technology. Only when we strengthen planning can we overcome such phenomena as importing in a duplicated and blind way, having poor economic results, and having little progress in technology. Only thus can our work be in keeping with China's developmental strategy of opening to the outside and importing.

At the same time, we must strengthen our macroeconomic control and centralized supervision. This is important for ensuring that the macroeconomy develops in a coordinated way. Therefore, when importing foreign capital and foreign loans, we must integrate our work with the improvement of economic results as well as our capability to earn foreign exchange and repay loans, so as to maintain a balanced foreign exchange in terms of receipts and disbursement. Furthermore, in order to achieve this, we must work out a centralized policy on importation. The Ministry of Finance must supervise in a centralized way all foreign debts, while the Bank of China must supervise in a centralized way foreign exchange receipts and disbursement.

In regard to taxation, we must make it favorable for promoting progress in technology and technological transformations in old enterprises. The comrades pointed out: At present there are some contradictions between the preferential treatment in regard to taxation and state policies on technology and economics. Therefore, we should determine the preferential treatments in terms of trade and the advanced level of technology to be imported, rather than in terms of regions.

In addition, the comrades pointed out: We must strengthen our supervision over financial matters. For this reason, the local financial and taxation departments should propose suggestions on and supervise the importation of projects. The departments should financially supervise joint ventures and privately owned enterprises and overcome the phenomena of being unable to supervise and slackening supervision efforts.

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ECONOMIC MANAGEMENT

FORUM DISCUSSES CONTROL OF ECONOMIC GROWTH

HK110511 Beijing GUANGMING RIBAO in Chinese 29 Jun 85 p 3

["Excerpts" from speeches at the Seventh National Forum on Financial Theories:
"The Objects and Contents of Macro Control"]

[Text] On the objects of macro control, the participants conducted a heated discussion in light of the actual conditions in economic life and put forward different views.

Some comrades held that the key lies in bringing economic growth under control. The phenomena of economic growth getting out of control that have emerged is primarily due to blind pursuit and mutual emulation of growth rate. If the excessive growth rate is reduced, the scope of investment in fixed assets can be slashed, the financial expenditures and deficits brought under control, the trend of blind import checked, the consumption funds reduced, and the credits sharply brought down and the issuance of currency will lose its great impact, thus eliminating once and for all the phenomena of economic growth getting out of control.

Some comrades held that the key lies in bringing the issuance of currency under control. The phenomena of lost control that have emerged find concentrated expression in the issuing of currency. The excessive growth of consumption funds and credits has been achieved through the issuance of currency, and the excessive scope of investment in fixed assets reflects to a large extent the excessive issuance of currency, which has inevitably brought about price rises. Therefore, by restricting the issuance of currency we can basically bring the macroeconomy under control.

Most comrades held that the object of macro control is to bring the distribution of national income under control. The phenomena of economic growth getting out of hand show, in the final analysis, that we have lost control over consumption and accumulation and that the total social demand has exceeded the total supply, thus bringing about excessive distribution of national income. Therefore, the key lies in bringing the distribution of national income under control and placing the scope of consumption funds and investment in fixed assets within the limits of our national strength. In this way, there will be neither financial deficits nor swollen bank credits, and there will be a balance between total social demand and total supply. By making good arrangements for the ratios between various economic branches we can eliminate the phenomena of lost control.

There were also different views on the specific contents of macro control.

Some comrades held that we should primarily bring the scope of credits granted and the amount of currency issued under control.

Other comrades held that we should primarily bring [word indistinct] investment in fixed assets and the financial deficits under control.

Most comrades held that the national economy is an organic entity, whose components affect and restrict one another. Therefore, it is necessary to exercise an all-round and systematic control, which includes at least the following five aspects: 1) Correctly determine the scope of consumption funds so that its growth is suited to the current level of China's productive forces; 2) correctly determine the rate of accumulation and, most important, rationally determine the scope of investment in fixed assets; 3) strive to achieve a balance between state revenues and expenditures and exercise effective control over the use of extrabudget funds; 4) grant credits and issue currency according to the state unified planning; and 5) achieve a balance between foreign exchange earnings and expenditures, make overall arrangements for and bring under control the scope of foreign funds introduced into our country and foreign debts incurred, and enhance our ability to earn foreign exchange. These five aspects are inter-related and affect one another and, therefore, it is necessary to take the whole situation into account and to plan accordingly. It is most important to strengthen the comprehensive balance of the national economy; to exercise control over some major ratios, such as the ratio between accumulation and consumption, the ratio of investment in fixed assets to the national income, and the ratio of state revenues to the national income; to strengthen coordination between financial departments and banks; and to conscientiously achieve a unified balance between state revenues and expenditures, between credit receipts and payments, between foreign exchange earnings and expenditures, and between commodity supply and demand.

CSO: 4006/764

ECONOMIC MANAGEMENT

XINJIANG HOLDS RURAL COOPERATIVE ECONOMY MANAGEMENT CONFERENCE

HK050717 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 1 Jul 85

[Excerpts] The regional conference on the management of the rural cooperative economy which concluded today, demanded: All places must strengthen leadership over the management of the rural areas, do well in grasping reform of the management of the rural areas, change the original administrative style to the business and service style, and engage in service work in an all-round way so as to promote the readjustment of the production structure, to quickly develop commodity production, and to make peasants and herdsmen get rich as soon as possible.

The experiences of some counties and cities in our region in initially reforming the management of rural areas over recent years have proved that the establishment of a new rural economic and service system with service work as the main work is urgently necessary for developing rural commodity production. The conference held: To establish the new rural economic and service system, it is necessary to adopt a resolute and careful principle and to gradually set up the system from the bottom to the top in the light of realities. In the course of unfolding business and service work, rural economic and service organizations at all levels must adhere to the aim of serving the cooperative economic organizations [words indistinct] and of helping peasants and herdsmen develop commodity production and raise economic results and must not regard purely making profits as the aim.

The conference demanded: Rural economic and service organizations must regard as their main work the resolving of the rural difficulties in funds, of peasants' difficulties in selling their products and buying goods they need, and in [words indistinct]. The township agricultural machinery service stations must control and use collective funds well and must vigorously help specialized households, households doing specialized jobs, and households in difficulty develop commodity production. It is essential to attach importance to the service of providing information and to particularly peasants and herdsmen make use of market information to readjust production, to change the types of products, and to develop production.

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ECONOMIC MANAGEMENT

GUANGMING RIBAO ON CONTROLLING ECONOMIC EXPANSION

HK150707 Beijing GUANGMING RIBAO in Chinese 6 Jul 85 p 3

[Article by Yi Jie [0001 0094]: "A New Method Is Needed To Strengthen Macroeconomic Control"]

[Text] Enlivening our enterprises is a key link in the reform of our economic structure that we must closely grasp from beginning to end. It is the starting point and foothold for the reform. However, the efforts of enlivening should not deviate from a certain track and should be done under fine social and economic conditions. This requires us to strengthen necessary macroeconomic control and management. Otherwise, we will only cause confusion instead of enlivening our enterprises.

There are different methods of macroeconomic control for different patterns of economic structure. Under the previous evercentralized system which negates commodity economy and the role of the law of value, the macroeconomic control is carried out mainly by relying on mandatory plans and direct administrative intervention. Through years of reform, our country's economic structure has been shifting toward the pattern of a planned commodity economy. As the independence of our enterprises is strengthened and the structure for making economic policy decisions is relatively decentralized, the original administrative control from the top downward tends to weaken; at the same time, as diverse economic forms and diverse methods of operation develop, horizontal economic relations have become increasingly complicated, uncertain factors in our economic life have greatly increased, and the "transparency" of the economic situation has obviously been reduced. In the face of this new situation and new change, the practice of copying the previous traditional method of macroeconomic control increasingly fails to meet the demand of the new situation and there is an urgent demand for the adoption of a set of new methods of macroeconomic control and management that satisfies the demand of the development of the planned commodity economy. In this area, we have as yet failed to do adequate work. This is precisely the cause for the excessively quick increase in credit and consumption funds, the excessive volume of money issued by us, and other problems.

By new methods of macroeconomic control, we mean that we [word indistinct] intensify the use of the means to regulate our economy and we should readjust the relations between the economic interests of various sectors through the comprehensive application of various kinds of economic levers including prices, taxation, credit and subsidies. By so doing we will satisfactorily coordinate our microeconomic activities with the state macroeconomic planning. To be more concrete, the new methods of macroeconomic control mainly consist of two aspects: 1. We should switch from the previous practice of stressing the grasping of the balance between the production and demand of products, the assigning of targets in terms of actual products level by level downward, and the distribution and allocation of materials and goods to the practice of regarding the satisfactory striking of an all-round balance of the distribution of our national income and our finance, credit and market as the key: in particular, to the practice of strengthening the position and functions of our central bank and satisfactorily grasping the general scale of credit and the volume of currency issued as the "master valve," in order to control the general price level in our market and maintain the basic stability of the whole national economy. 2. We should learn how to select and apply, on the basis of acquiring adequate information, sets of various kinds of economic levers to straighten out our economic relations and promote the rational readjustment of our industrial structure, product mix, technical structure and consumption structure. We can see that compared with the traditional methods, the new methods of control are more comprehensive. Moreover, as we consciously apply the role of the law of value, we can make our enterprises proceed from their own interests, and actively respond to the change in the means of regulation. As a result, these methods do not harm the vitality of our microeconomy but rather, prevent it from deviating from the track of our macroeconomic plans, and thus ensure the harmonious development of the whole national economy.

CSO: 4006/764

ECONOMIC MANAGEMENT

QINGHAI TELEPHONE CONFERENCE CALLS FOR IMPROVING PRODUCT QUALITY

HK070826 Xining Qinghai Provincial Service in Mandarin 1100 GMT 4 Jul 85

[Text] The provincial government held a telephone conference yesterday afternoon, urging enterprises in various localities to further reach a common understanding on ideas guiding business operation. The conference urged them to switch their major efforts to improving economic results and the quality of products, so as to insure the fulfillment of this year's production tasks and economic targets.

Hou Jieding, chairman of the provincial financial and economic commission, spoke at the conference. He pointed out: In the first half of this year the province has experienced a rather rapid growth in industrial production. The quality of products has improved, consumption in production has been reduced, and economic results have been sharply improved. Under these new circumstances however, we should be aware of major problems occurring in industrial production. Leadership at various levels must emphasize the problems. We must approach the issue of improving economic results from the high plane of strategy. We should firmly grasp the quality of products, grasp well the work of turning losses into profits, and insure the fulfillment of this year's task of turning losses into profits. At the same time, we must do well in the work of consolidating enterprises from start to finish.

Vice Governor Yin Keshang made a speech at the conference. He stressed: We must arrange well the work for the second half of this year. All localities, departments and enterprises must, on the basis of seriously summing up the work for the first half of this year, conscientiously analyze and study the economic results, the quality of products, the work of turning losses into profits [words indistinct]. We must work out and implement method for solving the problems which have developed in these areas. All localities must further implement the series of regulations of the State Council, the provincial CPC committee and the provincial government on reform. They should run enterprises in an open way. Once they are certain about any kind of reform, they must be determined to carry it out. Under no circumstances should they miss an opportunity to carry out reform because of delay or waiting for the overall reform plan. We must perfect the economic responsibility system within enterprises. In particular, we must further strengthen the economic responsibility system by focusing on economic results, the quality of products and turning losses into profits. We must attach great importance to the issue that the quality of some products is dropping.

We should seriously investigate and deal with those who bring losses to enterprises due to negligence.

In his speech, Yan Kesheng urged: Leadership at all levels must concentrate their efforts on major and important matters. Their focal point is to grasp well the implementation of policies and the present production. They must implement the work down to the grassroots and the masses. They must do well in investigation and solve problems for enterprises and people, so as to mobilize the initiative of the workers and do a good job for the second half of this year.

CSO: 4006/771

ECONOMIC MANAGEMENT

FORUM DISCUSSES MACROECONOMIC REGULATION

HK110335 Beijing GUANGMING RIBAO in Chinese 29 Jun 85 p 3

["Excerpts" from speeches at the Seventh National Forum on Financial Theories:
"The Means of Macroeconomic Regulation and Control"]

[Text] As far as the means of strengthening macroeconomic control is concerned, the participants in the forum unanimously held that it is necessary to combine the economic, administrative, and legal means. But they differed from one another on the objects liable to control and the measures to exert control.

Some participants held that the planned commodity economy mainly depends on the economic means for the function of regulation. If we put undue stress on the administrative means, we can hardly keep up with the changed circumstances or we may even slip back into the old rut, thus suffocating the economy.

Another opinion held that the economic means as a key means is surely an intrinsic need of the planned commodity economy. But in light of the present circumstances, it is necessary to pay particular attention to the application of the legal and administrative means. For example, in order to cope with interference and sabotage by unhealthy tendencies, to prevent slackness in implementing orders and prohibitions, and to curb violation of financial discipline, it is necessary to combine the economic means with necessary administrative and legal means as auxiliaries because application of the economic means alone will not yield results. Some comrades also pointed out: Some undesirable phenomena are the results of ignorance or lack of economic knowledge on the part of certain comrades, therefore, the means of education must also be used.

The third opinion held that in general, different means should be applied simultaneously to complement each other, no single means should be over-emphasized at the expense of the others. But, when it concerns specific cases of control over certain economic activities, only those suitable means should be applied. In some cases, economic means may be the key means to be used; while in others, administrative or legal means may be taken as the key means. Therefore, it is not appropriate to state in general terms which are major, and which are minor ones.

Many comrades also pointed out: In order to efficiently exercise macro-economic control, it is necessary to strengthen the role of all comprehensive economic functional departments, especially the functions of the planning committee, the financial department, the bank, the labor and wage department, the commodity price department, and so on. In other words, it is first necessary to give full play to the role of the planning committee which is in charge of overall planning; at the same time, it is also necessary to give full play to the role of the financial department which takes care of overall distribution, the role of the bank which takes general responsibility for circulation of funds, the role of the labor and wage department which exercises overall control over the consumption funds for staff members and workers, and the role of the commodity price department which is responsible for overall regulation of commodity prices. While working in coordination with each other, these departments interact on each other. Every department occupies its own position, exercises its own functions, fulfills its own duties, and cooperates with others. No one department can act on its own.

CSO: 4006/764

ECONOMIC MANAGEMENT

GUANGMING RIBAO ON MACROECONOMIC CONTROL, REGULATION

HK160901 Beijing GUANGMING RIBAO in Chinese 6 Jul 85 p 3

[Article by Wang Zhuo [3769 3820]: "On Macroeconomic Control and Regulation-- Also on Integrating the Planned Economy With the Commodity Economy in Practice"]

[Text] Compared to the capitalist economy, the socialist economy has many different characteristics and its essential characteristic is the integration of the commodity economy and the planned economy. The planned economy is a decisive factor in the macroeconomic situation, while the commodity economy is a decisive factor in the microeconomic activities of enterprises. Commodities are cells of an economic organism, while economic plans control and regulate the functions of these cells. If the planned economy is out of control, the overall situation will become chaotic or will even become deadlocked. Therefore, from the overall viewpoint of the general socioeconomic movement, the planned economy is of strategic significance in controlling the overall situation.

Henceforth, we will study how to integrate the planned economy and the commodity economy in practice. It is necessary to create a new set of mechanisms which control and regulate the macroeconomic process. Speaking concretely, we should consider the following questions:

First, it is necessary to perfect the democratic and scientific macroeconomic decisionmaking system. The most important link in the making of macroeconomic strategic policy is to decide on an appropriate economic growth rate. Practice shows that once the growth rate exceeds the limits of an overall balance, the macroeconomic situation will certainly become uncontrolled, and an all-round strained situation will appear in our economic work and will lead to the worsening of economic results. Therefore, we must strictly regulate our macroeconomic decisionmaking system by: Formulating no economic plans on the basis of "filling gaps to maintain a balance," ensuring an overall balance in the macroeconomic field, controlling the economic growth rate, and improving economic results. At the same time, we should establish a set of decisionmaking mechanisms consisting of a number of institutions which can condition and restrict each other. That is to say, there should be an administrative decisionmaking system (including various functional departments, coordinating departments, and local governments), a consultative system for decisionmaking, and a parliamentary system for decisionmaking (including the state power organs). This structure will help prevent and reduce errors in macroeconomic decisionmaking which may affect the maintenance of an overall balance in the national economy.

Second, it is necessary to establish a system for controlling the macroeconomic balance which is focused on a value calculation. In order to create a new set of mechanisms for controlling and regulating the macroeconomic process, we should reform the existing system for keeping an overall balance in a planned product economy and should replace it with a system for keeping an overall balance in a planned commodity economy. That is to say, we must establish a system for controlling the macroeconomic balance which is focused on a value calculation. The object of control is not society's products but the national income. The control over the national income means the control over the proportions and the balance in the distribution of the national income.

To control the proportions in the distribution of the national income, the most important thing is to control the ratio between consumption and accumulation. We have two points of experience: First, the increase in consumption funds should correspond to the increase in the national income, but the increase in the consumption funds should not encroach on the proportion of the national income accounted for by the accumulation funds (except during an economic readjustment period); similarly, the increase in the accumulation funds should not affect the proportion of the consumption funds in the national income (exception during an economic readjustment period). Second, economic construction should be ensured so as to enable the people's livelihood to improve steadily and continuously. This requires proper regulation of the ratio between the production of capital goods and consumer goods. In the long run, the ratio between the production of capital goods and consumer goods should be subordinate to the ratio between accumulation and consumption. This is a basic characteristic of the planned commodity economy focused on an overall balance of value.

The balance in the distribution of the national income means the balance between the output value of the national income and the distribution value of the national income. No plan should be made on the basis of distributing more than the national income. Our experience is that the stability of the economy, markets, prices, and people's feelings depends on the rationality of the distribution of the national income and the balance in the distribution of the national income. If a balance in the distribution can be ensured, the shortage of some commodities will be overcome, and an appropriate degree of buyers' markets will be formed to provide conditions for a competition between the enterprises. This will also be favorable to reform of the economic structure and especially the reform of the price system.

The establishment of a macroeconomic regulation system focused on keeping a balance of value requires that we replace the means of maintaining an overall balance of product supply by distributing products through compulsory plans with the means of keeping an overall balance of value by distributing funds. At the same time, the compulsory plans mainly including targets for products should be replaced with plans mainly including output value targets so as to replace an overall balance of products with an overall balance of value. Only thus can we realize the integration of the planned economy and the commodity economy in practice.

Third, it is necessary to employ the self-regulating mechanisms in economic relations. Past experience shows that there are two main reasons for the excessive distribution of the national income. One is the issuance of wages and bonuses. This is the primary distribution of the national income. The other is investment in fixed assets. This belongs to the redistribution of the national income. Therefore, control should be exercised over the issuance of wages and bonuses and over investment in fixed assets in order to maintain an overall balance of value. How should we exercise control over these two points? We should employ the self-regulating mechanisms in economic relations to achieve this purpose.

As for wages and bonuses, the self-regulating mechanisms are methods that we should adopt to gradually link wages and bonuses with economic results on a floating basis. The economic results of an enterprise should be calculated mainly according to its financial contribution to the state. If it increases the amount it turns over to the state, its payroll should also increase correspondingly. Thus, the growth rate of wages and bonuses is conditioned by the growth in the enterprise's financial contribution to the state. The employment of these self-regulating mechanisms in economic relations will prevent the runaway increases in wages and bonuses in the enterprises. Of course, we should solve some concrete contradictions in linking the enterprise's payroll with its financial contributions to the state, and we are completely able to solve these contradictions by making use of the levers of floating ratios between wages and bonuses and wage regulation taxes.

As to investment in fixed assets, the self-regulating mechanism is the financial contract system which can keep a balance of financial resources on a floating basis and subject the scale of investment in fixed assets to various departments concerned which must maintain a financial balance of their own. If a unit has surplus financial resources, it can make more capital investment; and if it is short of money; it will have to cut down on its capital investment. Units making capital investments should be required to pay interest at a floating rate for their use of funds. Thus, the interests of enterprises and their workers will be directly linked to the demands for investment in fixed assets.

Fourth, it is necessary to establish a control system to ensure an overall balance of value at a floating level. Once the overall balance of value is out of control, its immediate result is that the distribution of the national income is also out of control and outlays are larger than revenue. There are three interrelated links in the excessive distribution of the national income. The first is the financial deficit; the second is credit inflation; and third is the excessive issuance of currency. When state finances are insufficient, the state has the power to obtain overdrafts from the state bank, when the bank finds that it has created too much credit, it can resort to the means of credit inflation and currency inflation. Therefore, in order to prevent the excessive distribution of the national income, we must control the four values, namely, state financial revenues and expenditures, the bank's deposits and loans, the issuance of currency, and the balance of foreign exchange. However, our old methods do not work well, and we should replace the previous method of using quotas to keep a balance with the method of keeping the balance at a floating level. The following are some concrete points:

1. Government finances from the central level to the local level should maintain a balance on their own and should follow the principle of subjecting outlays to income. When income increases, expenditures can increase correspondingly; conversely, when income decreases, expenditures should be cut back. This method can prevent the appearance of any financial deficit, so it is the key to overcoming the excessive distribution of the national income. At the same time, the government department of finance should not be allowed to automatically obtain overdrafts from the bank. If money is urgently needed, the state can issue treasury bonds.

2. Banks handling credit business from the central level to the local level should implement the management system of linking loans with deposits and contracting for a margin. That is to say, only by achieving money resources and material guarantees can a bank make loans, and bank credits must be guaranteed with deposits. It is unavoidable that new deposits may derive from loans, so the credit created by a bank must not be bigger than the amount of deposits it has accepted.

3. Two conditions should be distinguished when the banks issue currency. If the bank has money resources for the issuance of currency, this will not cause inflation and should not be controlled. But if the bank has no money resources for the issuance of currency, it should not have freedom to issue currency but must subject the issuance of currency to the quota assigned by the central bank, and the method of quota control should be adopted.

4. Authorities from the central level to the local level should adopt a floating control system to maintain foreign exchange balance. This means that when they have more foreign exchange income, they can use more foreign exchange to import goods; otherwise, they should cut down on the use of foreign exchange. In this field, main efforts should be made to create more foreign exchange earnings.

Fifth, it is necessary to reform the mechanisms for controlling and regulating the industrial structure and the commodity structure. Through maintaining an overall balance of value in the distribution of the national income, we can overcome the excessive distribution of the national income, control the general scale of social demand, and thus bring about an appropriate degree of buyers' markets. However, this is only a balance of commodity value, and we have yet to coordinate the ratios of use value between various commodities. Therefore, we should further study the way to reform the mechanisms for controlling and regulating the proportions of use value of commodities and to improve the quality of these proportions, including the ratios between various industrial sectors and the structure of commodities. Under the condition that buyers' markets are basically formed, we should radically reform the mechanisms for regulating the industrial structure and the commodity structure. The principles for the reforms are as follows:

1. Strengthening the guiding role of the balance sheet of commodities (materials) supply and demand, and disbanding the traditional administrative regulatory mechanisms, which lay down compulsory plans including targets for goods and materials in accordance with the balance sheet of commodities (materials) supply

and demand. The new balance sheet of commodities (materials) supply and demand should include a wider variety of goods and materials in society. Thus, it will expose more clearly the contradictions between goods in excessive supply and goods in short supply.

2. In light of the exposure of the contradictions between goods in excessive supply and goods in short supply in the balance sheet of commodities (materials) supply and demand, we can readjust the commodity (material) structure of the existing enterprises. In principle, the administrative means based on compulsory production plans should be substituted with the leverage of market forces. The regulatory role of various economic levers should be brought into play. Profit margins should be raised to encourage the production of goods in short supply, and profit margins should be cut to control the overproduction of goods in excessive supply. Of course, some transition measures should first be taken in order to effect this reform.

3. Through increasing production capacity, we can readjust the industrial structure and the commodity structure. Different regulatory mechanisms can be introduced to deal with different cases. Investment plans can continue to be applied to the building of infrastructural facilities and to backbone large and medium-sized enterprises. At the same time, target control should be exercised over construction projects, and approval procedures for intermediate links should be simplified or cancelled. However, ordinary enterprises on a small scale may be run by localities or large enterprises in light of market demand and the reference information supplied by planning institutions. The investments in these small enterprises will be subject to market regulation. In order to prevent duplication of construction, planning institutions should play a role in coordinating the capital investment projects.

CSO: 4006/764

ECONOMIC MANAGEMENT

BRIEFS

SICHUAN PRICE CONTROLS--The provincial government recently approved a report of the provincial prices bureau, material supply bureau, and industrial and commercial bureau on controlling the handling and sales prices of steel, pig iron, and automobiles, and issued a circular demanding that the report be implemented. The circular said: Strengthening the control of handling and sales prices of steel, pig iron, and automobiles is the requirement of promoting the reform of the urban economic structure and an important aspect of invigorating the circulation of production materials. All areas and units must seriously check on the current situation in the handling of steel, pig iron, and automobiles, and strictly inspect the sales prices. Illegal dealings, speculation, indiscriminate price hikes and other unlawful activities must be resolutely investigated and dealt with. The report of the three bureaus pointed out: Since the second half of last year, the steel, pig iron, and automobile market in Sichuan has been rather chaotic. Certain units and individuals have seized on loopholes in the variety of prices and of regulating measures to buy things up and resell them for a profit. Some have even engaged in speculating in delivery notes or allocation targets, in a bid to gain illegal income and disrupt the market. This has damaged the interests of the state and the masses. The report proposed a number of measures for dealing with the situation. [Text] [Chengdu Sichuan Provincial Service in Mandarin 1030 GMT 6 Jul 85]

CSO: 4006/771

ACTING PRESIDENT OF BANK OF CHINA VIEWS BANK'S ROLE IN OPEN POLICY

HK120405 Beijing BEIJING REVIEW in English No 22, 12 Jun 85 pp 23-24

[By Zhao Bingde, acting president of the Bank of China]

[Text] As China's bank devoted to handling foreign exchange, the Bank of China is a significant window for the implementation of the country's open policy and is bearing a heavy responsibility in the execution of that policy.

In the period from the end of 1978 to the end of 1984, the total assets of the bank increased from 38.7 billion yuan to 200.3 billion yuan; the number of domestic offices rose from 58 to 261 and total domestic staff jumped from 4,000 to 16,000; and overseas offices grew from 184 to 286, with an expansion of staff from 6,000 to 10,000. To date, we have set up correspondent relationships with 3,301 head offices and branches of 1,185 banks scattered around 150 countries and regions.

The business functions of the Bank of China are as follows: Managing the state foreign exchange in a centralized manner; handling the state exchange incomes and expenditures; dealing in all kinds of foreign exchange business and banking transactions in Renminbi relating to foreign exchange, which mainly include settlement of trade and non-trade transactions, foreign trade credits, foreign currency loans and their related Renminbi financing, Chinese-foreign joint venture credits, exports credits, international syndicated loans and commercial loans, international trust investments and leasing, buying and selling foreign exchange and gold on the international market, issuance of bonds and securities in foreign currency, and taking foreign currency deposits and Renminbi deposits relating to foreign exchange transactions; concluding agreements with foreign governments and central banks; and participating in international financial activities under the authorization of the state and the mandate of the People's Bank of China. The bank's overseas branches and the member banks of the Bank of China Group in Hong Kong and Macao also offer a full range of banking services as permitted by local laws and regulations.

The Bank of China, besides maintaining regular monetary relations with some 220 large foreign banks, is actively participating in consortium loans on international markets, financing domestic projects, buyer's credits and mixed credits provided by some countries, and issuing public bonds. In these fields, especially in the sphere of financing domestic key projects, we would be very happy to establish more extensive cooperation in the future with our friends in international financial circles.

To improve our operation of funds, we have been carrying out reforms in our credit business, and we have started credit investments on a trial basis. The use of our funds is chiefly centered on supporting the production of export commodities, including such key projects as financing energy and transportation projects and the technological transformation of outdated enterprises. In our effort to support the development of foreign trade, the amount of Renminbi credit we provided to foreign trade enterprises for working capital in 1984 was more than double the amount in 1978. And the various kinds of foreign exchange loans we granted to the central and local enterprises also increased many times. Last year alone, the loans we granted to key energy projects--such as the Guangdong Nuclear Power Station, Pingshuo Coal Mine in Shanxi Province, and Daqing and Zhongyuan oilfields--amounted to about US\$600 million. Altogether, more than US\$1 billion was provided to about 6,000 local projects. Furthermore, we also gave financial support to the construction of tourist hotels, overseas construction projects contracted by Chinese companies and Chinese-foreign joint ventures. To date, more than 200 joint ventures in China have obtained credit from us.

China cannot develop in an international vacuum, and, conversely, the world's development needs China. The Bank of China has attached great importance to associating itself with foreign banks and enterprises as an investment partner in consortiums and joint ventures. Concerning joint investments, the comparatively big projects we have taken part in are: the Shanghai-Volkswagen Automotive Co Ltd; the Shanghai Yaohua Pilkington Glass Ltd, the Hunan Yueyang Ramee Textile, Dyeing and Printing Mill; and the Beijing Kunlun Hotel. We have, with the participation of other Chinese economic departments, established a number of finance and leasing companies in association with banks in Japan, West Germany, Italy, France and the United States, as well as in Hong Kong. Apart from the traditional interbank business cooperation, the Bank of China is hoping to achieve even more extensive collaboration with our international financial friends. Cooperation can take many forms. It may, for instance, assume the form of joint investments in China by means of taking up shares or consortium loans for the exploitation of certain key projects, or it may take the shape of an associated partnership for the development of raw material industries abroad. We are willing to take a positive attitude in seeking many ways of cooperation.

CSO: 4020/278

FINANCE AND BANKING

PRC FIRMS WARNED AGAINST VIOLATING BANKING RULES

HK130335 Beijing CHINA DAILY in English 13 Jun 85 p 3

[Special to CHINA DAILY]

[Text] Chinese enterprises and companies have been warned not to seek illicit earnings by opening personal savings accounts for business funds.

A recent circular issued by China Industrial and Commercial Bank said industrial enterprises and commercial companies put some 400 million yuan in personal savings banks in 1984, in violation of the country's economic and financial regulations.

The businesses used personal savings accounts at local banks to deposit part of their profits and capital [word indistinct].

Banking regulations forbid industrial enterprises and commercial companies from opening personal savings accounts. Firms broke the law to seek higher interest rates, escape banking supervision over them and enjoy simpler depositing procedures.

Businesses are required to deposit their funds and profits in the branches of China Industrial and Commercial Bank, a subsidiary of the central People's Bank of China. Interest rates are lower there than at banks dealing with personal savings and depositing procedures are more complicated.

The circular called for a joint effort to investigate what it termed "public funds deposited as personal savings" across the country.

The circular cited the example of Harbin Navigation Bureau which put a total of 60,000 yuan into local savings banks as personal deposits.

Such a practice has had an adverse impact upon the country's economy and its banking system because it reduces the accumulation of funds by central government and creates a false picture of the country's total savings deposits, the circular said.

CSO: 4020/278

FINANCE AND BANKING

PRIVATE BUSINESSES GET CONSUMER BANK LOANS

OW291256 Beijing XINHUA in English 1228 GMT 29 Jun 85

[Text] Beijing, 29 June (XINHUA)--Small private businesses that meet consumer needs have a friend in the Industrial and Commercial Bank of China, a spokesman said today.

"We didn't give the private sector enough help before," said banking executive Geng Xiaofeng. The bank set up an individual business department last year to cover service trades, transportation, tourism, animal breeding, culture, education and public health. Before 1983 it dealt with only industry and commerce.

Bank loans in the first 5 months of this year shot up to 460 million yuan. The bank provided 578 million yuan to small undertakings in towns and cities throughout China last year as against only 350 million yuan between 1979 and 1983.

Priority will be given to businesses that meet the urgent needs of the local people and make use of local resources, he said.

"Support is still far from enough," Geng Xiaofeng said, adding "only about 5 percent of private businessmen get loans from the bank, while another 40 percent borrow from individuals at higher rates of interest.

Any private business that possesses a valid licence, essential funds, can put up security and show the ability to pay back loans can apply to the bank. Monthly interest rates range from 0.78 to 0.96 percent.

About 150,000 people were in private business at the time of the "Cultural Revolution." Privately-owned businesses, during that time, were considered capitalistic and were eliminated. Since 1978, such businesses have been restored; by the end of 1984 the figure rose to 2.9 million. It went up to 3.09 million by the first quarter of this year.

CSO: 4020/278

FINANCE AND BANKING

GANSU FORMULATES REGULATIONS ON SELLING GOLD ORNAMENTS

HK280349 Lanzhou Gansu Provincial Service in Mandarin 0430 GMT 26 Jun 85

[Excerpt] In order to promote production and sale of gold ornaments and to enrich people's material and cultural life, the provincial People's Bank has recently formulated explicit regulations on the relevant questions.

The provincial People's Bank explicitly stipulated that the production of gold ornaments should be carried out by the newly established Gansu Provincial Gold and Silver Ornaments Company and the Lanzhou City Arts and Crafts Plant. No new production units will be set up in principle. If it is necessary to set up new production units in the future, the relevant provincial departments and the provincial People's Bank should jointly apply to the Ministry of Light Industry and the Chinese People's Bank head office for approval. Only with their approval, can the new production units have the power to produce gold ornaments. Only the existing approved sales points of the provincial and Lanzhou City light industrial, commercial departments and People's Banks can sell gold and silver ornaments. If some localities wish to add sales points, these must mainly be state-run commercial units and they must apply for approval to sell gold and silver ornaments. Units and shops dealing in gold and silver ornaments without the approval of the relevant departments should be wound up before the end of June. They are not allowed to sell gold and silver ornaments, otherwise, their business operations should be considered illegal.

CSO: 4006/753

INDUSTRY

PRC PAPER INTERVIEWS ARMAND HAMMER ON COAL MINE

HK090413 Beijing RENMIN RIBAO Overseas Edition in Chinese 3 Jul 85 p 2

["Special Interview" by reporter Duan Cunzhang [3008 1317 4545]: "Armand Hammer in China"]

[Text] It was the seventh time Hammer, an internationally renowned businessman and chief executive officer of the U.S. Occidental Petroleum Corporation, visited China.

He properly seated himself in a reception room inside the Diaoyutai Guesthouse. Although he is already 87, he looked like a man in his 60's. He has rosy cheeks and a strong body. He neither smokes nor drinks. He is fond of swimming.

"Sorry I am late," said Hammer on seeing the reporter. On 30 June, he had a full itinerary. In the morning, Deng Xiaoping met with him. After that, Hu Yaobang had lunch with him. In the afternoon, Li Xiannian met with him. In the evening, he signed with the Ministry of Chemical Industry a letter of intent on the sale of chemical fertilizers. That is why he had put off an interview with the reporter.

"Make the best use of your time to ask questions," said Hammer with a smile.

"Dr Hammer, do you mind commenting on your impression of your meetings with the Chinese leaders?"

He was excited. In the past 2 weeks, this famous social activist had met the leaders of three countries (namely the Soviet Union, the United States, and China). He said: "The leaders of your country are well informed about the world. That surprises me. That is the Chinese people's good fortune."

"What is your opinion of our open-door policy?"

"Your open-door policy is quite a success," said Hammer, gesturing with his hands, "in your country, which is a big country with a population of 1 billion, the open-door policy is everyone's concern. The peasants are happy that you have found a way out for them. You have reaped bumper harvests. However, you should speed up your industrial construction. You are in need of technology, facilities, and special. You should exploit natural resources, much more."

In order to implement our open-door policy, Deng Xiaoping has met with Hammer five times. He told Mr Hammer: "Although we are old men, we still have our ambitions and aspirations."

During his visit to the United States 6 years ago, Deng Xiaoping met Hammer and told him: "When Lenin was in power, you helped the Soviet Union. Now you should help China!" Hammer has great confidence in China's four modernizations. He once said: "The open-door policy complies with China's national conditions. It will be successful." He wants to motivate other businessmen by establishing joint ventures with China.

Hammer made his first trip to China in order to discuss the problem of building the Antibao Open-cut Coal Mine. During his stay, he told Deng Xiaoping: "Your concern has given a good start to this joint undertaking." Deng Xiaoping replied: This is a result of our pursuance of the open-door policy. This has met with general approval. However, we are quite inexperienced. In the future, we should learn from your experience in the course of our cooperation."

The course of the negotiations was beset with difficulties. Hammer always said: "For one, I am optimistic," "It is necessary to continue," and "So long as we work in the spirit of cooperation and mutual benefit, we will somehow find a way to reach a fair agreement." Deng Xiaoping told him: "Cooperation with China is the least risky thing in the world because China is not a country unable to pay its debts. It has great potential which has not been fully tapped." Deng Xiaoping also told Hammer: Some foreign friends are worried that China's laws are still far from perfect. We are now unremittingly perfecting our legal system."

"Hammer is indeed a courageous man," a responsible person of the China National Coal Development Corporation who has had dealings with Hammer on many occasions said, "In the words of the reformers, he is a pioneering entrepreneur."

Hammer displayed great courage in making his decisions on Sino-U.S. cooperation in the management of Antaibao Open-cut Coal Mine in Pinglu County and Shuo County. It is situated in Pinglu and Shuo County, Yanbei Prefecture, Shanxi Province. It has a total area of 18.5 square kilometers and a total coal reserve of 450 million tons. The coal produced is high-quality gas coal, which is fit for power generating. Its planned annual production capacity is 15,330,000 tons. It is estimated that a total of \$650 million of investment will be required. If the cooperation in this project is successful, we can introduce to our country modern, advanced coal mining technology, complete sets of modern, advanced facilities, and modern, advanced coal mining management methods. This has great significance for giving impetus to the modernization of our coal industry and for speeding up its development.

Hammer paid his first visit to the Soviet Union in 1921. This legendary figure was born at the turn of the 19th century. He graduated from Columbia University Medical School. However, he has not even performed a single operation for sores although he studied bacteriology and immunology. When he was still in college, he was already a millionaire and was the director of a pharmaceutical corporation with fixed assets valued at several million U.S. dollars. He is also famous

for his collection of famous paintings. He is a co-owner of the Knoedler Art Gallery, which is the oldest and best-known art gallery in the United States [as published]. He is the owner of many cattle, whiskey, and coal cartels. After retiring at 60, he considered doing some oil business. At that time, there was a small oil company which was on the verge of bankruptcy. After he took it over, the company became the 17th or 18th largest company among the 500 biggest companies in the United States. He likes steak. Once he brought home a calf. Later, he started his career with the calf he brought home and became a cattle magnate with a large fortune derived from cattle raising. When working, he frequently uses the telephone. He spends at least 40 to 50 percent of his time making telephone calls. Telephone call charges cost him about \$1 million each year.

When our conversation approached its end, the reporter asked Mr Hammer: "What is your opinion on the prospects of Sino-U.S. cooperation in establishing enterprises?"

He said with great confidence: "The energy industry and the basic industries are [words indistinct]. We have cooperated in the [word indistinct] Antaibao. There will be a second, a third ... I am interested in the exploitation of offshore oil resources as well as in the exploitation of underground oil resources. Your oil resources in the northwest can be exploited first. With coal and oil and by selling your commodities, you will have money."

When the reporter presented to him a copy of "In Commemoration of the Publication of the Overseas Edition of RENMIN RIBAO," he said: "Thank you, thank you." In addition, he also wrote the following words for the overseas edition: "Best Wishes."

CSO: 4006/774

DOMESTIC TRADE

RENMIN RIBAO CALLS FOR CRACKING DOWN ON COUNTERFEIT GOODS

HK091248 Beijing ZHONGGUO XINWEN SHE in Chinese 0837 GMT 9 Jul 85

[Text] Beijing, 9 Jul (ZHONGGUO XINWEN SHE)--More and more counterfeit and bogus commodities have appeared on markets in all parts of China, and such problems have become increasingly serious and have greatly harmed the interests of consumers. Today, RENMIN RIBAO, the organ of the CPC Central Committee, publishes a commentator's article, pointing out that strict measures should be taken against units and individuals who make bogus goods, and people directly responsible for the activities of counterfeiting should be brought to a law court for trial.

According to the initial results of an investigation made by the Shanghai Timepiece Industry Corporation, more than 2.5 million bogus wristwatches bearing such famous brands as "Shanghai," "Chunlei," and "Baoshihua" have been sold in more than 20 provinces and cities. More and more bogus bicycles bearing the famous brands of "Yongjiu" and "Fenghuang" have also been discovered in many places. A factory in Nanxian County, Zhejiang Province, has made a large quantity of counterfeit "Yongjiu" and "Fenghuang" bicycles. Some lawless people have even forged a public seal and printed some false invoices bearing the names of the manufacturers of the brandname bicycles in order to worm their way into buyers' confidence. Counterfeit cigarettes have been found ranging from the "Daqianmen" brand to the "Mudan," "Zhonghua," and "Fenghuang" brands. Such bogus Shanghai-made cigarettes have been found in the Daqing Oilfield, Hainan Island, Urumqi, and the Xizang Plateau.

The RENMIN RIBAO commentator's article points out: Bogus goods are now sold openly in broad daylight, and the lawless elements engaged in counterfeiting activities are acting in an unbridled way under the nose of the departments concerned. In some localities, there are even villages "specializing" in making bogus goods. Why do the authorities concerned not take measures to ban such illegal activities? Can this just be explained in terms of bureaucratism?

RENMIN RIBAO says: We have enacted laws and regulations which provide us with the legal foundation for banning counterfeiting and handling bogus goods which have been disturbing our markets. The problem is that we fail to effectively enforce the relevant laws. We should expose the activities of the unscrupulous businessmen who have disrupted our modernization efforts in our mass media and should take legal measures against them. No enterprise and no individual operator is allowed to act wildly in defiance of the law by making and selling bogus goods in large quantities to harm ordinary people. Responsible people of the units which have caused serious consequences and individual operators who have done the same must be brought to a law court for trial. Resolute action must be taken to check the evil tendency of counterfeiting brandname goods.

DOMESTIC TRADE

BRIEFS

LIANYUNGANG TO BOOST ECONOMY--Nanjing, July 20 (XINHUA)--Lianyungang in Jiangsu Province, one of China's 14 open coastal cities, is boosting its economy by stepping up economic co-operation with inland areas, a local official said today. Gao Youwei, the vice-mayor, said Lianyungang had signed 233 contracts involving economic co-operation with inland areas in the past 12 months. These contracts with enterprises from 22 provinces, municipalities and autonomous regions involve about 500 million yuan. More than half of the investment is being provided by the inland areas. Already, 81 projects have begun production and another 80 will go on stream this year, Gao said. The Longhai railway between Lanzhou, capital of Gansu Province, and Lianyungang, enables provinces and regions in north-western China to acquire foreign management techniques, funds and technology through Lianyungang to help upgrade their products. Shaanxi Provincial Bureau of Aviation Industry has reached agreement with Lianyungang on 45 heavy industry schemes for the coastal city. The vice-mayor said that 75 percent of the economic co-operative projects between the city and inland areas involve upgrading and expanding the city's old enterprises. The rest deal with the construction of hotels, restaurants, shops, docks and telecommunications facilities to improve foreign investment conditions. As a result of the co-operation, the city purchased 43 percent more products for export in the first six months of this year compared with the same period last year, the vice-mayor said. More than 1,000 business people from 24 countries and regions have inspected the city over the past year, and about 200 economic and technical co-operative contracts have been signed. [Text] [Beijing XINHUA in English 0903 GMT 20 Jul 85 OW]

CSO: 4020/299

FOREIGN TRADE AND INVESTMENT

SINO-JAPANESE ECONOMIC LAWS SYMPOSIUM OPENS IN GINGDAO

SK230729 Jinan Shandong Provincial Service in Mandarin 2300 GMT 22 Jul 85

[Text] The symposium on the economic laws of China and Japan opened in Gingdao on 22 July. Attending the opening ceremony were Zhang Jingfu, State Councilor; Zou Yu, Minister of Justice; Zhu Jianming, Vice Minister of Justice; Liu Peng and Ma Lianli, Vice Governors of Shandong Province; (Chuan Dao Wu Xuan), head of the Japanese delegation; and (Yuan Hou Shan Zhi), Deputy Director of the Japanese side to the symposium on the economic laws of China and Japan.

During the symposium, in order to further promote the economic and technical cooperation and to develop the friendship between our country and Japan, more than 200 specialists, lawyers, and enterprisers from the two countries, after introducing their local economic laws, will discuss matters on economic laws of which both sides are interested.

On the basis of discussing legal issues, the economic figures of the two countries will freely talk about matters on economic and technical cooperation of which both sides are interested in order to establish future cooperative contacts.

Comrade Zhang Jingfu spoke at the opening ceremony. He said: China's policy of enlivening the domestic economy and opening to the outside world is a fundamental principle which was raised in light of the practice in building socialism over the past 30-odd years and the summing-ups of positive and negative experiences and lessons. This is also the basic national policy which will be carried out for a long time to come.

Comrade Zhang Jingfu introduced the favorable conditions for the foreign investors, such as the stable political situation of China, the enormous market, the stable development of the national income, the constant improvement of the socialist legal system, and the respect of faith and contracts. He also hoped that the competitiveness of Japanese investors will become even stronger through the whole process of economic and technical exchanges.

At the opening ceremony, congratulatory messages from Abe, Foreign Minister of Japan, and Nakae Yosuke, Japanese Ambassador to China, were read out.

CSO: 4006/803-F

FOREIGN TRADE AND INVESTMENT

55 PERCENT INCREASE IN VISITORS TO PRC IN FIRST HALF OF 1985

HK240347 Beijing CHINA DAILY in English 24 Jul 85 p 1

[Article by staff reporter Liu Dizhong]

[Text] The number of tourists and businessmen coming to China has jumped by 55 percent over the last six months.

More than 20 million border crossings, in and out of the country, were recorded by the Public Security Ministry.

"The unprecedented growth rate indicates China is opening its door wider and wider," a senior ministry official told CHINA DAILY yesterday. The number of people who have come to China in the first half of this year almost equals the total number of visitors in 1983.

Chinese travellers from Hong Kong and Macao accounted for the overwhelming majority. Some 16 million border crossings were made by them, a rise of 60 percent over the corresponding 1984 period.

The official attributed the rocketing figure to the signing of the Sino-British joint declaration on Hong Kong last December.

"The declaration strengthened the close ties of Hong Kong and Macao with the mainland," he said, adding that the number of Hong Kong and Macao residents travelling to the mainland increased particularly during the traditional Chinese holidays of the Spring Festival and Qingming Festival.

The open policy has also brought more opportunities for mainland Chinese to travel abroad. Those on official business made 380,000 border crossings in the first six months of this year, an increase of 86 percent. Personal trips, mainly to visit relatives or to study abroad at their own expense accounted for 190,000 crossings, an increase of 46 percent.

Meanwhile, the number of foreigners visiting China is also increasing at an unexpected rate, the official said.

In the past six months, foreigners made 1.2 million border crossings, an increase of 39 percent.

The number of foreigners coming to China has increased at a rate of between 10-20 percent a year since 1979 when China started the open policy as a cornerstone of the nation's modernization drive.

For years the Japanese have led the influx of visitors. In the first half of this year they made 200,000 border crossings, an increase of 40 percent over the same period last year. They were followed by Americans with 110,000 a 31 percent increase; Australians 40,000 a rise of 34 percent and Britons 30,000, 22 percent up.

Although entries and departures of French people totalled around 10,000, they marked a remarkable increase of 60 percent.

The official noted that travellers from the Soviet Union also increased dramatically. They chalked up more than 8,000 border crossings, an increase of 31 percent over the corresponding period last year.

Chinese vice-premier Yao Yilin signed a long-term Sino-Soviet trade agreement early this month in Moscow. The agreement, the official said, not only strengthened economic and trade relations between the two countries, but would also prompt an increase in Soviet experts and technicians coming to work in China.

The official also released figures on the movement of ships, airplanes and road vehicles. He said ships entered and left Chinese waters more than 50,000 times in the first six months of this year--an increase of 40 percent--mainly docking at the harbours of Shanghai, Dalian, Guangzhou and Tianjin.

CSO: 4020/299

SPECIAL ECONOMIC ZONES

BRIEFS

SEZ ATTRACTS FOREIGN INVESTORS--Xiamen, July 16 (XINHUA)--Xiamen Special Economic Zone [SEZ] in Fujian province has attracted twice as many foreign business people this year as last. Altogether 95 contracts with a combined investment of 360 million U.S. dollars were signed between Xiamen and foreign firms in the first six months of this year, local officials said here today. Economic organizations from Japan, the United States, Singapore, the Philippines, Hong Kong, and other countries and regions have set up 30 offices in Xiamen, and a dozen foreign banks have applied to set up branch offices in the city. The first joint-venture bank, the Xiamen International Bank, was established here last month. The bank has a registered capital of 800 million Hong Kong dollars. According to the officials, infrastructure projects to be completed this year include installation of a 10,000-line program-controlled telephone switching system, which allows direct dialling of calls between Xiamen and Japan, the United States and Hong Kong. An international air route between Xiamen and Manila will be opened this year. Factories using imported technology are producing color televisions, radio- and video-recorders and digital telephones. [Text] [Beijing XINHUA in English 1043 GMT 16 Jul 85 OW]

CSO: 4020/299

LABOR AND WAGES

JPRS-CEA-85-072
9 August 1985

BRIEFS

SHANGHAI INFORMATION WORKER'S ASSOCIATION--An association of information workers of offices in all provinces, cities, autonomous regions, and departments of the central authorities, stationed in Shanghai, was inaugurated on 7 May. The association's work includes coordination among the information workers in the development of information resources, the strengthening of economic and technological cooperation among the respective localities and departments, as well as other related services. [Summary] [Shanghai City Service in Mandarin 0100 GMT 8 May 85 OW]

CSO: 4006/753

TRANSPORTATION

AIR FORCE BUILDS AIRPORT AT SHENGLI OIL FIELD

HK110213 Beijing ZHONGGUO XINWEN SHE in Chinese 1312 GMT 4 Jul 85

[Text] Jinan, 4 Jul (ZHONGGUO XINWEN SHE)--The Shengli oil field airport in Shandong Province is under fast construction. It is predicted that the airport will be open to air traffic in October, this year.

The airport is situated 40 kilometers north of the mouth of the Huanghe, and 32 kilometers west of Dongying City, which is at the center of the Shengli oil field. On the east is the bay.

It is a second-class airport where Tridents can take off and land. The main runway is 2,200 meters long and 50 meters wide. There is also a 2,200-meter slideway. Advanced radar and communications systems and other facilities are also installed at the airport.

The Shengli oil field is dispersed in an area of 27,000 square kilometers. When the airport is constructed, the oil field will use helicopters to direct production and will open air routes to Beijing, Jinan, and other parts of the country.

A certain unit of China's air force is responsible for the construction of the airport. The construction started in October last year. At present, nearly 600 of China's air force commanders and soldiers and 3,000 workers are building the airport day and night.

CSO: 4006/771

TRANSPORTATION

MAO ZHIYONG ON PROBLEMS IN HUNAN ROAD WIDENING

HK060625 Changsha Hunan Provincial Service in Mandarin 2300 GMT 5 Jul 85

[Excerpts] On the morning of 5 July, the provincial people's congress session held a special discussion meeting on road widening. Executive Chairman Jiao Linyi presided. (Xiao Dayong), director of the provincial communications department, reported on technical improvements to the province's roads and gave views on dealing with leftover problems. Vice Governor Yu Haichao gave replies and explanations to deputies' criticisms and views. Provincial CPC committee secretary Mao Zhiyong attended and spoke. Responsible persons of each delegation and a number of deputies attended the meeting.

(Xiao Dayong) said in his report: Last winter and spring the province popularized the experiences of elsewhere and widened and improved a total of 8,791 kilometers of road. It also built 396 kilometers of road. This work laid the foundation for solving the problem of low traffic capacity and for invigorating the urban and rural economy. However, there were many problems in carrying out this work. The main ones were, preconstruction planning was not done carefully, the schemes were too ambitious, and inadequate preparations were made in ideological mobilization, materials, capital, and technology. Too many county and township roads were built. In certain places compulsory orders were given and people were forcibly evicted in order to push through road construction schemes. A certain amount of farmland was occupied by construction work, causing some difficulties for the masses' production and daily life. (Xiao Dayong) put forward four views on solving leftover problems in road construction.

A number of deputies made speeches at the meeting.

Comrade Mao Zhiyong said: Widening the roads is a good thing, and the masses say it is first necessary to build roads in order to get rich. This reflects the masses' demands. The CPC Central Committee and State Council are also concerned for communications construction in Hunan.

Comrade Mao Zhiyong said: There are indeed profound lessons in this road widening effort. We did not act according to our capability but instead went in for over-ambitious schemes, causing many problems and affecting the masses' production and life. We have to attach importance to this. He called on the party committees, government, and departments throughout the province to take a positive attitude to solving the problems left over in road widening and construction, especially the problems of housing and land, which must be solved first. In places where road widening and construction has not started, it should not be started, and no new schemes should be launched next winter and spring.

TRANSPORTATION

STATE COUNCIL ON ILLEGAL HIGHWAY PRACTICES

OW131053 Beijing XINHUA Domestic Service in Chinese 0229 GMT 10 Jul 85

[Text] Beijing, 10 Jul (XINHUA)--The State Council issued a directive on 5 July to various localities and departments, entitled: "On Immediate Prohibition of the Practices To Set Up Check Points Indiscriminately, Impose Fines, and Collect Fees on Highways."

The directive says:

Following the invigoration of urban and rural economy, readjustment of the structure in transportation, and the fairly rapid development in highway transportation in recent years, a favorable situation with state-run and collective enterprises and individual households joining their efforts in managing transportation has prevailed. According to statistics, there are more than 6 million motor vehicles (including tractors) in the whole country at present. Most of them are engaged in highway transportation, playing a significant role in enlivening the transportation market, and promoting the interflow of commodities between rural and urban areas.

Transportation, public security, commercial and industrial administrative, and farm machinery departments must enthusiastically support efforts to mobilize all types of vehicles and tractors to facilitate transportation on highways while strengthening their management over vehicles and tractors. In this respect, they have done a great deal of work in the past. However, there are also some problems that merit our attention. For example, some localities and units, under the pretext of "strengthening management," indiscriminately set up check points on highways and invented all sorts of names to impose fines and collect fees on motor vehicles. Some units at the township and town levels also set up check points on highways without authorization. There were even people who posed as administrative personnel to check motor vehicles and impose fines, of which there are more than 20 types. If this practice of indiscriminately setting up check points, imposing fines, and collecting fees is not stopped immediately, it will not only harm the economic interests of the state-run and collective transportation enterprises and individual specialized households that engage in transportation business, but also seriously hamper the continuous flow of traffic and the increase of efficiency in transportation. For this reason the following measures should be taken:

1. It is necessary to make overall arrangements by setting up unified joint highway checkpoints. Various provinces, autonomous regions, and cities under the direct administration of the central government must consolidate and reorganize the existing checkpoints on highways. Transportation and public security departments at the provincial level should coordinate with the departments concerned to work out plans to set up joint checkpoints and put such plans into effect after they have been submitted and approved by the respective people's governments. Various localities and departments must not set up checkpoints at will without prior approval (except when public security departments are making security checks or performing other duties). The main tasks of a joint checkpoint are: Correct traffic violations, maintain traffic safety, check related documents and receipts for road maintenance fees and taxes, and conduct checkups against contraband.

In dividing up its work, a joint checkpoint in a city or district where the public security department has already been clearly assigned in the past to conduct the checkups should be mainly under control of the public security department. With this exception, all other highway checkpoints must be mainly under the control of the transportation departments. Other departments may be invited to participate in running the checkpoint, or the departments concerned may entrust the joint checkpoint to conduct the checkups for them. After the joint checkpoints are set up, various departments must conduct the checkups at fixed points. Except for directing and facilitating traffic, maintaining public order, and handling traffic accidents and other special situations, they are not allowed to set up road blocks to check motor vehicles, thus hampering traffic.

2. When motor vehicles are being checked at the joint checkpoint, the checkups must be conducted by people in police uniform or in uniforms of traffic control organs and with the proper identifications issued by a unit of a provincial-level department. When a motor vehicle is being checked, it is necessary to show courtesy, act according to policy and regulations, and allow the other side to defend himself. The driver or the escort of a motor vehicle has the right to turn down the request of anyone who has no proper identification or refuses to show his identification to check the vehicle.

3. It is essential to strictly enforce the regulations on imposing fines. In dealing with those who have violated state policy and traffic control regulations, the joint checkpoints should act in strict accordance with state regulations concerned as well as of various provinces, autonomous regions, and cities under the central government. They must not increase fines at random. Those who must be fined should be given a receipt issued by the provincial-level department concerned. Except for fines on evading the payment of road maintenance fees and the surtax for purchasing a motor vehicle, which should be deposited into special accounts, other fines should be turned over to the state treasury as revenue in the local budget. No unit is allowed to spend these fines, retain them for its own use, or use part to issue bonuses. It is necessary to revise some of the unreasonable regulations on imposing fines in the past.

4. Efforts must be made to strengthen education in thinking and in education among those who conduct checkups and to constantly help them improve their qualities. It is essential to seriously handle those who flagrantly violate state policies, and who seize every opportunity to extort money or blackmail people as well as those who accept bribes and take graft.

5. It is forbidden to levy tolls for roads and bridges above specific limits. Tolls must be levied only on high-quality highways (expressways, first-grade highways, and second-grade highways of high standards), bridges and tunnels that are built with raised funds or loans. The amount of tolls should be determined by the regulations specified by a provincial or autonomous regional people's government or a city people's government under the direct administration of the central government. No tolls should be levied on other general highways or bridges. Those who collect tolls in violation of this regulation must stop immediately.

CSO: 4006/774

9 August 1985

TRANSPORTATION

BRIEFS

LOCAL RAILWAYS--Qinhuangdao, 22 Jun (XINHUA)--Over 10 provinces, municipalities, and autonomous regions now have their own railways, totaling 3,800 kilometers, it was disclosed at the 1985 annual meeting of the Chinese Local Railways Association, recently concluded in Qinhuangdao, Hebei. In 1984 alone, these local railways transported a total of 28.95 million tons of cargo, generating a total income of over 130 million yuan, and a profit of 35 million yuan. [Summary] [Beijing XINHUA Domestic Service in Chinese 0841 GMT 22 Jun 85 OW]

CSO: 4006/774

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

HUNGARIAN INDUSTRY'S PERFORMANCE SPARKS CONCERN

OW162003 Beijing XINHUA in English 1434 GMT 16 Jul 85

[Article by Zhou Dongyao: "Poor Industrial Performance Causes Concern in Hungary"]

[Text] Budapest, July 16 (XINHUA)--the poor performance of Hungary's industry in the first half of this year has aroused the concern of the country's leadership, and a nationwide publicity campaign has been launched to urge all the workers to work harder to fulfill this year's plan.

Industrial output accounts for 80 percent of the gross national product in Hungary. Its performance in 1985, the last year of the Sixth Five-year Plan, will have a direct impact on the realization of the plan as a whole.

While a 3 percent industrial growth rate was targeted for 1985, statistics released by the Ministry of Industries on July 10 indicated that only a nominal increase of 0.1 to 0.2 percent was achieved in the first six months of this year. This is tantamount to economic stagnation.

This situation was further confirmed by a recent report from the central statistics office. It said that while only a few industrial sectors such as petroleum and natural gas and electricity managed to realize a marginal increase in the first five months of this year compared with the same period last year, construction, metallurgical and machine-building industries registered negative growth rates, accomplishing only 90.9 percent, 95.5 percent and 99 percent respectively of the output value realized during the first 6 months of last year.

Foreign trade, in the meantime, resulted in a deficit of 190 million U.S. dollars during the first 6 months of this year in contrast with a 160 million dollar surplus recorded during the same period last year. The deficit is explained partly by a sharp decline in food exports and a 15.3 percent reduction in building industry exports.

The factors that led to this situation are many. Vice premier Jozsef Marjai blamed it on flaws in economic planning and management. He said that when drawing up this year's plan, the authorities were over-optimistic about the economic situation. In fact, many problems, such as excessive energy consumption and export failure, were inherited from last year.

The extreme cold weather last winter was also cited as a major reason for insufficient energy supplies to industries as more energy was consumed for residential heating than normal. As a result, Hungary will have to spend more than 200 million dollars this year on energy imports from the west.

Moreover, the industrial work force is said to have diminished by 17,900 people during the period under review. The construction industry alone lost 16,000 workers.

Observers here noted however that the primary cause of such poor industrial performance is the irrational industrial structure which cannot adapt itself rapidly enough to the changing international economic environment. Some enterprises have not been able to make profits for years, yet the authorities dare not shut them down or convert them into other lines, for fear of causing unemployment and other social problems. This explains why the industrial growth rate has been floating between just 1 and 3 percent ever since Hungary began to readjust its economy.

Experts added that another factor is out-dated technology and equipment in industrial enterprises, which consume more energy and raw materials than more modern equipment.

Expedient steps such as calls for weekend overtime work, higher productivity and stricter labor discipline may help fulfill this year's production targets, observers predicted. But they ruled out a dramatic turn for the better in overall industrial performance in the near future on grounds that the existing industrial structure and out-dated technology cannot be improved or upgraded overnight.

CSO: 4020/299

PUBLICATIONS

BRIEFS

SHANGHAI PAPER MASTHEAD--ZHONGGUO HEZUO JINGJI BAO [CHINA ECONOMIC COOPERATION NEWS] started publication in Shanghai today. Comrade Bo Yibo wrote the masthead of the paper. Rui Xingwen, secretary of the Shanghai City CPC Committee, inscribed for the paper. [Excerpts] [Shanghai City Service in Mandarin 0100 GMT 6 Jul 85]

CSO: 4006/774

AUTHOR: XIU Peisheng [0208 1014 3932]

ORG: Heilongjiang Provincial Academy of Social Sciences

TITLE: "Pricing in the USSR During the Period of Multiple Economic Structures"

SOURCE: Beijing SHIJIE JINGJI [WORLD ECONOMY] in Chinese No 4, 10 Apr 85 pp 64-68

ABSTRACT: In the history of the USSR economic structure, the years between 1918 and 1925 were the period of coexistence of multiple economic structures. An analysis of the functions of the law of value and pricing formation is useful for China's current economic reform. In the period between 1918 and 1920, the monopolizing of all essential goods by the Soviet government and the despising of the law of value confronted by the wartime destruction only resulted in hyper-inflation with price levels more than tens of thousands of times above prewar levels. The New Economic Policy adopted in early 1921 acknowledged the legality of competition between the socialist and the capitalist economy, as well as small goods production in the market. These measures allowed for the functioning of pricing laws. The supply and demand mechanism again came into play for raising and lowering prices. Climbing agricultural and industrial outputs in 1925 proved the soundness of multiple economic structures. China can learn from the Soviet experience in this period as to the market mechanism, law of value, price adjustment by the state pricing leverage in coordination with credit loans and taxation, and the role of currency in price formation.

10424

CSO: 4011/27

Econometrics

AUTHOR: None

ORG: Institute of Quantitative and Technical Economics, Chinese Academy of Social Sciences

TITLE: "Method for Predicting Input/Output for Input Supplies and Output Targets"

SOURCE: Beijing SHULIANG JINGJI JISHU JINGJI YANJIU [QUANTITATIVE AND TECHNICAL ECONOMICS] in Chinese No 12, Dec 84 pp 52-64

ABSTRACT: Input/output analysis is a method of studying numerical relationships between input supplies and output goods of the entire national (or regional) economy. For easier analysis of the problem, input supplies of each unit of product should be known. Then the input/output distribution equations are derived. The input/output model is often combined with the linear planning model to construct an input/output optimization model for predicting the optimization plan. In an example listing three alternative plans for the input/output optimization model, overall considerations allow the inclusion of profits and the overall economic picture of balanced growth. The optimization choice may not be the most profitable one, when one views the structural readjustment of the national economy. The optimization coincides with the maximum macroscopic economic benefit. This is especially important to the socialist planned economy.

10424
CSO: 4011/28

Economic Management

AUTHOR: QIN Yongnan [4440 3057 2809]
ORG: Institute of Agricultural Economics, Chinese Academy of Agricultural Sciences
TITLE: "Problems on County-Level Economic Development in the New Situation"
SOURCE: Beijing NONGYE JINGJI WENTI [PROBLEMS OF AGRICULTURAL ECONOMICS] in Chinese No 2, 23 Feb 85 pp 54-56

ABSTRACT: The county-level economy is the basic sector of three economic levels: state, province and county. This sector links the urban to the rural economy. The economic vigor of the output-related contract responsibility system has not been completely realized owing to small-scale household management. Advances in household management should be directed toward society at large; in this way, peasant-entrepreneurs can become professionalized for economic expansion beyond their villages. County-seat and market-town sectors of the county-level economy are similar in many characteristics to the urban economy, such that many of the policies and principles of urban economic reform are adaptable to these sectors. As the production responsibility system liberates peasants' initiative, agricultural labor productivity continuously rises to free more of the agricultural labor force for new economic activity in industries in market towns and county seats. In addition, commodities from forestry and animal husbandry should show gains along with cash crops on the basis of an adequate cereal grain supply.

10424
CSO: 4011/28

END